Chairman's governance statement

Dear Shareholder
It is my responsibility as Chairman to ensure that the Group has sound corporate governance and that the Board continues to be effective. This is managed by ensuring that the Group and the Board are acting in the best interests of shareholders and our various stakeholders, and making sure that the Board discharges its responsibilities appropriately. This includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

I am therefore pleased to introduce our Governance Report for the year ended 30 November 2019. The SThree Board aspires to adopt governance best practice wherever possible. Following the changes to the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in July 2018 (the 'Code'), the Board has decided to embrace corporate governance developments, by early adopting and reporting against the most recent Code even though the changes are not applicable for this reporting year. During the year, key governance activities included:

- Reframing of strategy, using a 'managing for value' approach, with outputs approved in July.
- Review of wider leadership roles, succession and 'capability gaps', including the next layer below, which have led to the recruitment of Chief People Officer ('CPO') and Chief Strategy Development Officer ('CSDO').
- Ensured remuneration arrangements generally, appropriately support retention and motivation of senior team members.
- Continued use of eNPS as well as dedicated Non-Executive Director ('NED') for employee engagement.
- Committed to reduce our absolute carbon emissions by 20% by 2024 under our ESG strategy.

In March 2019, we welcomed Mark Dorman as CEO. The benefits of his leadership are already evident in our business strategy, and together with the strength of our broader Executive Team the Group is well positioned to build on our ambitions for the future. During the year we also said goodbye to our long-serving CEO, Gary Elden, and COO, Justin Hughes, and we are grateful to both of them for helping to make the Group what it is today.

SThree has always been driven by core business principles, together with a desire to add value as a recruitment partner and play a positive role in corporate social responsibility. Our purpose, values and culture demonstrate a commitment to take long-term decisions and to treat all clients, candidates, employees, suppliers and communities with respect as key stakeholders and partners in our business. Our approach to stakeholder engagement during the year is set out in this report.

We held a Board Strategy Session in July 2019, at which our new CEO provided an overview of our strategy as we look to build further growth with STEM recruitment at our core. The session highlighted areas for further Board engagement and NED assistance for top priority programmes which have already begun.

Following on from the key themes highlighted by our external Board evaluation in 2018, the Board has conducted an internal evaluation, covering topics such as the strength of our Board composition, our understanding of our stakeholders, strategy, culture and risk management. Further details are provided in this report.

We continue to shape and develop our culture with a focus on diversity and inclusion, and have continued oversight of the Group's diversity and inclusion initiatives. Further information on diversity and gender pay can be found on pages 61 and 62.

Finally, I would like to take this opportunity to thank our shareholders for their support. I, along with the Board, am available to respond to any questions on this report or any of our activities both now and at the 2020 Annual General Meeting itself.

Board and Committee structure

Governance structure

Board

Chairman

Responsible for:

- The leadership, effectiveness and governance of the Board
- Leading the setting of the Board agenda
- Ensuring the Board receive accurate, timely and clear information
- Ensuring effective Board contribution

Chief Executive Officer/ Chief Financial Officer

Responsible for:

- Developing and proposing the strategy of the Group
- Operational and financial performance of the Group
- Effective and ongoing communication with our key stakeholders
- Communicating the culture, values and behaviours of the Group

CFO responsible for:

- The financial aspects of the above

Senior Independent Director

Responsible for:

- Supporting the Chairman
- Acting as an intermediary for other Non-Executive Directors
- Leading the appraisal of the Chairman's performance
- Acting as an alternative point of contact for key stakeholders

Non-Executive Directors ('NEDs')

Responsible for:

- The Group's strategy being reviewed, monitored and examined
- Monitoring operational and financial performance
- Assessing the governance, internal controls and risk management framework
- Providing independent advice

Company Secretary

Responsible for:

- Advising the Board on governance matters
- Supporting the Board and Committees in the efficient and effective functioning of meetings
- Ensuring information flow between Board/ Committees and senior individuals/ NEDs
- Facilitating Board induction programmes and organising training as required

Board Committees

Audit Committee

Ensures the integrity of the Consolidated Financial Statements of the Group and maintenance of internal control and risk management systems.

Manages the relationship with the Group's external auditors and reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process.

Nomination Committee

Regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and layer below.

Provides recommendations with regard to any changes and reviews and prepares relevant job descriptions for new appointees, as well as ensuring the continuing development of an adequate pipeline into the Executive Team for succession and bench strength purposes.

Remuneration Committee

Responsible for the Group's remuneration strategy and the development/oversight of the Company's remuneration policy.

Leads discussions on Group employee remuneration and incentive arrangements that apply to the Group as a whole.

Executive Committees

Senior Executive

Assists Chief Executive Officer in development and implementation of strategy, operational plans, policies, procedures and budgets.

Risk and Compliance

Assists the Group with its compliance function whilst also reviewing Group's internal controls, key risks, policies and health and safety procedures.

Corporate Social Responsibility ('CSR')

Assists with setting guidance, direction and overseeing policies and progress on CSR and related activities.

Our Board

A strong team with the right mix of skills and experience.

Board and Committee composition and attendance
As illustrated, the Board has established various Committees, each with clearly defined Terms of Reference, procedures and powers. All Terms of Reference (available at www.sthree.com) are reviewed regularly and are aligned closely with the UK Corporate Governance Code and take into account CGI best practice guidelines.

In addition to the scheduled Board meetings held during the year, the Board met for separate strategy, budget and risk sessions, as well as for the AGM. The number of scheduled Board/Committee meetings held and attendance at each is set out in the table below.

Should Directors be unable to attend meetings due to unavoidable commitments, full Board packs are distributed and separate dialogue held with the Chairman on all matters of relevance. Further details of each of the Board Committees are contained in the Remuneration, Audit and Nomination Committee sections of this Annual Report.

Board meetings attended (total of 8)	
Mark Dorman[1]	6
Alex Smith	8
James Bilefield	8
Denise Collis	8
Anne Fahy	8
Barrie Brien	8
Gary Elden[1]	2
Justin Hughes[1]	4

1 Mark Dorman, Gary Elden and Justin Hughes were appointed or departed during the year. Actual attendance represents the maximum number of meetings they were able to attend.

A N R ◯ Chair

Committee membership
A. Audit Committee
N. Nomination Committee
R. Remuneration Committee

Executive Directors

Mark Dorman
Chief Executive Officer

Appointed:
March 2019

Experience
Mark Dorman was appointed SThree CEO in March 2019, joining the business from McGraw Hill Education, where he was President of Higher Education, International and Professional.

Prior to McGraw Hill, Mark worked at Wolters Kluwer where he was initially Vice President of their Legal Markets Group before becoming CEO of Wolters Kluwer Law & Business.

Prior to this, Mark was Head of Global Product Management at Gartner Inc. and Head of Strategy for LexisNexis UK, a unit of Reed Elsevier. A joint UK/US national originally from Dundee, Scotland, Mark graduated from the Royal Military Academy Sandhurst and served as an officer in the British Army's Corps of Royal Military Police.

Alex Smith
Chief Financial Officer

Appointed:
May 2008

Experience
Alex Smith joined SThree having held a number of senior financial and operational roles in the leisure and retail sectors. He previously held the position of Integration Finance Director at TUI Travel plc and was Finance Director of First Choice's UK mainstream business. Prior to these positions he was Managing Director of WH Smith's Travel Retail business and held senior financial roles at Travelodge and Forte plc.

Alex has a degree in Economics from Durham University and is an Associate of the Institute of Chartered Accountants in England & Wales.

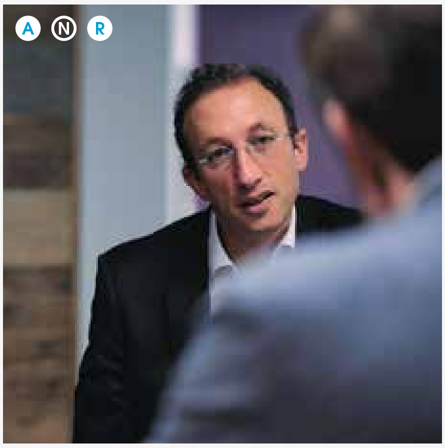
Non-Executive Directors

James Bilefield
Chairman

Appointed:
October 2017

Experience
James Bilefield succeeded Clay Brendish as Chairman in April 2018, having previously been Chairman Designate and Senior Independent Director, from first joining the SThree Board as Non-Executive Director and member of the Remuneration, Audit and Nomination Committees on 1 October 2017. He joined the Board of Stagecoach Group plc on 1 February 2016, where he currently serves on the Remuneration and Nomination Committees. Other appointments include McKinsey & Company (Senior Advisor), Advent International (Industry Advisor) and Teach First (Trustee).

James has spent over 20 years building successful digital and multichannel businesses around the world. As an executive he managed the digital transformation of media group, Condé Nast, across 27 countries, scaled Skype's global operations as part of its founding management team and held senior management roles at Yahoo! during its major growth phase. Formerly Chief Executive Officer of global advertising technology company, OpenX, he also co-founded the UK local information business, UpMyStreet, following an investment banking career at JP Morgan Chase.



Anne Fahy
Non-Executive Director

Appointed:
October 2015

Experience
Anne Fahy was appointed to the SThree Board, the Nomination Committee and as Chair of the Audit Committee in October 2015, and the Remuneration Committee in April 2018. Anne is also Non-Executive Director and Chair of the Audit Committee at Coats plc, the world's leading industrial thread company, and at Nyrstar NV, a company incorporated in Belgium which has, following completion of its recapitalisation/restructuring in 2019, a 2% shareholding in the Nyrstar group. She is also a Trustee of Save the Children.

Prior to joining SThree, Anne was Chief Financial Officer of BP's Aviation Fuels business. During her 27 years at BP, Anne gained extensive experience of global business, developing markets, risk management, internal control, compliance and strategy development in BP's aviation, petrochemicals, trading and retail sectors. Anne is a Fellow of the Institute of Chartered Accountants in Ireland, having worked at KPMG in Ireland and Australia prior to joining BP in 1988.

Denise Collis
Non-Executive Director, Senior Independent Director

Appointed:
July 2016

Experience
Denise Collis was appointed to the SThree Board, Nomination Committee and Remuneration Committee in July 2016, and the Audit Committee in April 2018. Denise was further appointed as Chair of the Remuneration Committee in September 2016 and Senior Independent Director ('SID') in October 2018.

Denise is a Non-Executive Director and Chair of the Remuneration Committee at Connect Group plc, the specialist distribution company, and Chair of the Remuneration Committee and a member of the Advisory Council at the British Heart Foundation. Prior to this, Denise was Group HR Director for 3i Group plc, and most recently Chief People Officer for Bupa. She has extensive international Human Resources and executive committee experience, and has also held senior roles at EY, Standard Chartered plc and HSBC. Denise is a Fellow of the Chartered Institute of Personnel and Development.

With effect from 1 December 2018, Denise Collis was appointed as Employee Engagement NED.

Our Board
continued

Non-Executive Directors

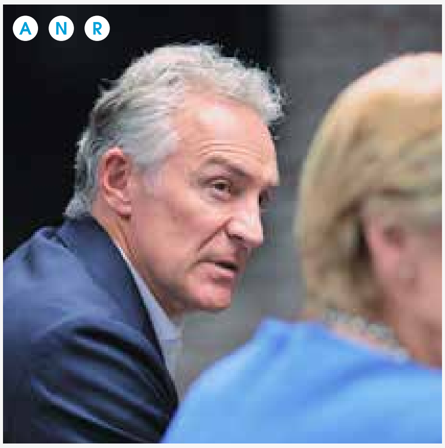
Barrie Brien
Non-Executive Director

Appointed:
September 2017

Experience
Barrie Brien was appointed to the SThree Board, Audit, Nomination and Remuneration Committees in September 2017.

Barrie is Group Chief Executive Officer of STRAT7, a data analytics and strategy consultancy, and was the former Chief Executive Officer of Creston plc (a media and marketing communications group), stepping down in 2017 following its sale and de-listing. Barrie was extensively involved in the growth of Creston plc from 2004 with its buy-and-build strategy and had also been Chief Operating and Financial Officer.

In addition to the extensive public company experience, including M&A, fundraisings and investor relations, Barrie has spent 30 years in global media, digital and marketing communication companies, advising a portfolio of boards and clients across multiple industries on their growth strategies.



Steve Hornbuckle
Group Company Secretary

Appointed:
October 2006

Experience
Steve Hornbuckle joined SThree as Group Company Secretary in October 2006, creating a new department with responsibility for company secretarial and corporate governance matters, later broadening to include Investor Relations matters. Steve also headed the Group's Legal Department from 2013 to 2019. Steve has significant company secretarial experience, having held senior positions within a variety of listed companies, including Intertek Group plc, BPB plc, Kidde plc, Railtrack Group plc, London & Manchester Group plc and English China Clays plc. Steve is a Fellow of the CGI and sits on its Company Secretaries' Forum and was formerly on the Investor Relations Society Policy Committee.

Length of Directors' tenure

0-3 years	50%
3-5 years	33%
5+ years	17%

Composition of the Board

Non-Executive	50%
Chairman	17%
Executive	33%

Directors' core area of expertise

HR/Finance	50%
Engineering and Technology	17%
Media and Marketing	17%
Sales/Operations	16%

Composition of the Board

The Board comprises a balance of Executive and NEDs who bring a wide range of skills, experience and knowledge to its deliberations. The NEDs fulfil a vital role in corporate accountability and have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined, not only in the best long-term interests of shareholders, but to also take account of the interests of customers, employees and other stakeholders. The NEDs are all experienced and influential individuals and through their mix of skills and business experience, they contribute significantly to the effective functioning of the Board and its Committees. This ensures that matters are fully debated and that no one individual or small group dominates the decision-making process. Directors have a wide range of experience of various industry sectors relevant to the Group's business and each member brings independent judgement to bear in the interests of the Company on issues of strategy, performance, resources and standards of conduct. The Board is of sufficient size to match business needs and members have an appropriate and varied range of skills, vital to the success of the Group. The composition and performance of the Board and each Committee is periodically evaluated to ensure the appropriate balance of skills, expected time commitment, knowledge and experience and the Directors can thereby ensure that the balance reflects the changing needs of the Group's business and is refreshed if necessary. Most importantly of all, Board members feel a strong cultural affinity with the Group, engaging fully as a committed team and in a wide variety of activities with our employees around the globe, whether it be an office visit, or presentation by management. The Nomination Committee report gives further information on activity in this regard, including recent changes in Board composition, succession planning and diversity.

Excluding the Chairman, the other NEDs have been determined by the Board throughout the year as being independent in character and judgement with no relationships or circumstances which are likely to affect, or could appear to affect, each Director's judgement.

The Board has a Non-Executive Chairman, who is not classed as independent because of his position but who met the independence criteria set out in the Code on appointment. At least half the Board comprise of NEDs determined by the Board to be independent, as set out in the Code.

The Role of the Board

The Board provides strategic and entrepreneurial leadership and overall control of the Group, setting a framework of prudent and effective controls to enable risks to be properly assessed and managed. Its primary role is to create value for stakeholders, to agree and approve the Group's long-term strategic objectives and to develop robust corporate governance and risk management practices, whilst ensuring that the necessary financial and other resources are in place to enable those objectives to be met. In undertaking this, the Board also reviews management performance and sets the Company's values and standards, with all Directors acting in what they consider the best interests of the Company, consistent with their statutory duties. Certain powers are delegated to the Remuneration Committee, Audit Committee and Nomination Committee, with details of the roles and responsibilities of these Committees being set out under the relevant sections.

Division of responsibilities

The Board has agreed Terms of Reference for its other formal Committees in order to facilitate more efficient working practices and these include an Executive-led Senior Executive Committee ('SEC'), the Investment Committee, a Minority Interest 'Tracker Shares' Steering Committee, a Routine Business Committee, Risk & Compliance Committee, and a CSR Committee, all of which provide a clear framework of delegated authorities. All Terms of Reference (available at www.sthree.com) are reviewed periodically and Board Committees are aligned, as appropriate, with the UK Corporate Governance Code and take into account CGI best practice guidelines.

The Board is responsible to shareholders for the proper management of the Group and has identified key financial and operational areas that require regular reporting and which enable the performance of senior management to be reviewed and monitored. These are set out in a schedule of matters reserved for the Board, which is reviewed on a regular basis. The schedule outlines all matters requiring specific consent of the Board, which include, inter-alia, the approval of Group strategy, operating plans and annual budget, the Annual Report, the Interim Report and trading updates, major divestments and capital expenditure, meaningful acquisitions and disposals, the recommendation of dividends and the approval of treasury, tax and risk management policies.

The schedule therefore facilitates structured delegation, subject to certain financial limits and provides a practical framework for executive management/reporting, which seeks to achieve the objectives of maintaining effective financial and operational controls, whilst allowing appropriate flexibility to manage the business. The current schedule of matters reserved for the Board is available on the Company's website at www.sthree.com.

Information and support

Board and Committee meeting papers are circulated well in advance of the relevant meeting and where a Director is unable to attend he/she is provided with a copy of the papers and has the opportunity to comment on the matters under discussion. The Group Company Secretary helps to ensure information flows between the Board/Committees and senior individuals/NEDs, and appropriately advises the Board on governance matters.

Directors are entitled to obtain independent professional advice, at the Company's expense, on the performance of their duties as Directors. All Committees are serviced by the Group Company Secretary's team and are appropriately resourced.

Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that its procedures are complied with and to assist in arranging any additional information as required. The appointment and removal of the Group Company Secretary is a matter reserved for the Board as a whole and the last appointment was made in October 2006.

Board in action

Purpose, values and culture
As a purpose driven organisation, this drives our approach to values and culture, to help deliver on our strategy.

Section 172 Duties
Directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the:

- likely consequences of any decision in the long term;
- interests of employees;
- need to foster business relationships with suppliers, customers and others;
- impact of operations on the community and the environment,
- desirability of maintaining a reputation for high standards of business conduct; and
- need to act fairly between members.

The Board has always considered the long-term impact of its decisions, and collectively aims to uphold the highest standards of governance.

Our Section 172 Statement can be found within the Compliance Statements section on page 91 of the Strategic Report.

Engagement

Engagement with shareholders/Constructive use of AGM

Communications with shareholders are given a high priority, as part of a comprehensive investor relations programme. The Company produces Annual and Interim Reports for shareholders and the Company's website contains up-to-date information on the Group's activities, investor presentations and published financial results. Shareholders can also subscribe for email alerts of important announcements made. There are regular meetings with institutional shareholders and analysts, whilst ensuring that price sensitive information is released at the same time to all, in accordance with the requirements of the UK Listing Authority. Presentations are made after the Company has published its full- and half-yearly results and there is also dialogue on specific issues, which have included the tracker share model, LTIP, governance and remuneration matters and recruitment of SID/Chairman. In between trading updates, there is continued dialogue with the investor community by meeting key investor representatives, holding investor roadshows and participating in conferences. Feedback from meetings held between senior management and institutional shareholders is reported to the Board. Meetings between management and debt providers, principally the Company's banks, also take place periodically.

The Chairman, SID and other NEDs are available to discuss governance or strategy issues, should there be matters of concern that have not been, or cannot be, addressed through the Executive Directors. During the year, both the Chairman and SID were available to converse with shareholders, with the Chairman holding separate governance meetings. Appropriate feedback was provided to the Board.

Views of analysts, brokers and institutional investors are sought on a non-attributed basis via periodic sentiment surveys and these, as well as regular analyst and broker publications, are circulated to all Directors to ensure that they develop a full understanding of the views of major shareholders. Any issues or concerns are raised and discussed at the Board, and Directors routinely receive regular reports on share price, trading activity and sector updates.

The Board views the AGM as an opportunity to communicate with private and institutional investors and welcomes active participation. Alternative options, such as holding a virtual AGM, may be considered in the future.

The Company proposes a separate resolution on each substantially separate issue and the proxy appointment forms for each resolution provide shareholders with the option to direct their proxy to vote either for or against any resolution or to withhold their vote.

The Company's registrars ensure that all valid proxy appointments received for the AGM are properly recorded and counted and a schedule of proxy votes cast is made available to shareholders attending the meeting. There is also full disclosure of the voting outcome via the London Stock Exchange and on the Company's website as soon as practicable after the AGM.

All Board members are encouraged to attend the AGM and the Chairs of the Audit, Nomination and Remuneration Committees are available to answer questions.

The Notice of AGM is posted at least 20 working days prior to the date of the meeting and the Company's website contains copies of all Notices issued.

Engagement with employees

Denise Collis was appointed as the designated NED responsible for employee engagement, to gather views from employees, on 1 December 2018. In carrying out this role, Denise has met with a range of employees, at all levels, including office visits, whilst also engaging with Group and local HR teams. Reports are also received from CPO.

From eNPS surveys, our employees valued and truly endorsed SThree's culture and the importance of the Company's purpose and principles by which we all hold ourselves accountable. In particular, they like the collective focus on improving our customer experience and how we communicate with our customers.

However, our staff wanted to gain more understanding of the specific strategic steps that we as a Group intend to take to achieve our ambition of £100 million in annual operating profit by 2022. Clear Group direction-setting will allow business units and functions to execute against the overall strategy.

We also heard from employees who asked for greater consistency: (i) in SThree's leadership team to act and behave in line with our Leadership Principles; and (ii) in the ways we communicate internally.

Engagement with our clients/candidates

Our clients appreciate our vast network of candidates on top of valuable market knowledge and understanding of complex employment regulations, especially in the Contract recruitment specialism.

During the year, we often heard from our candidates who found themselves temporarily displaced, due to changing working patterns or the ebb and flow of the global economy.

Succession

During 2019, work was focused on transitioning of the new CEO, as well as the departure of COO, whilst also strengthening and ensuring the continuing development of, and adequate pipeline into, the Executive Team, with the appointment of a new CPO and creation of a CSDO role. Initiatives are ongoing throughout the Group to ensure that there is an appropriate management pipeline at all levels and YSC Consulting continue to assist with this.


BRINGING SKILLED PEOPLE TOGETHER TO BUILD THE FUTURE
CAPITAL MARKETS DAY

Nomination Committee

I am pleased to present to you the Nomination Committee report. The report provides underlying detail on the Committee and its activities during the year.

James Bilefield
Nomination Committee Chair
24 January 2020

Committee meetings attended (total of 5)

James Bilefield (Chair)	5
Barrie Brien	5
Denise Collis	5
Anne Fahy	5

Full biographies are available on pages 112 to 114.

The Committee complies with the requirement to have a majority of independent Non-Executive Directors ('NEDs'). During the year, the Committee met five times, as follows:

- CPO appointment December 2018
- CEO change/succession December 2018/February 2019
- COO change/succession July 2019
- UK/Benelux reorganisation/succession September 2019

Summary of Terms of Reference
The Committee's Terms of Reference are, broadly, to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, make recommendations with regard to any changes and to review and prepare relevant job descriptions for new appointees, as well as ensuring the continuing development of, and adequate pipeline into, the Executive Team for succession and bench strength purposes.

Use of external search consultants
The Committee engages external search consultants with respect to both Executive and Non-Executive appointments and considers applicants from all backgrounds, as was the case for the CEO appointment in March 2019.

For all roles recruited, the Committee first conducts an evaluation of the balance of skills, knowledge and experience on the Board, before preparing a description of the role and capabilities required. In each case, there is an extensive interview process, with the successful appointees selected and chosen entirely on merit.

Succession planning and diversity
During 2019, the Committee's work was focused on transitioning of the new CEO, as well as the departure of COO, whilst also strengthening and ensuring the continuing development of, and adequate pipeline into, the Executive Team, with the appointment of a new CPO and creation of a CSDO role. Initiatives are ongoing throughout the Group to ensure that there is an appropriate management pipeline at all levels and YSC Consulting continue to assist with this.

Following the announcement of the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in July 2018 ('the new Code'), the Nomination Committee recommended the appointment of Denise Collis as the designated NED responsible for employee engagement, to gather views from employees, from 1 December 2018. The Committee also periodically reviews Board composition, to ensure that the new Code provisions regarding diversity, over-boarding, Chair tenure and Remuneration Committee Chair experience are all complied with.

The Committee considers future succession planning for Board or other Senior Executive roles, reviewing leadership, experience and skill needs and bearing in mind the existing balance of skills, knowledge, experience and diversity already on the Board, to ensure appropriateness. In terms of gender diversity, we consider that the Board is well balanced.

Appointments to the Board
In March 2019 we welcomed Mark Dorman to the Board as the Group's Chief Executive. Appointments to the Board are the responsibility of the full Board, upon the recommendation of the Nomination Committee and after appropriate external search/consultation, bearing in mind the Board's existing balance of skills and experience, the specific role needs identified, and with due regard to diversity, including gender. Succession plans are regularly reviewed by the Committee, in order to ensure an orderly progression/refreshment of senior management/

Board members and maintain an appropriate balance of skills, experience and diversity both within the Company and on the Board.

Under the direction of the Nomination Committee, each formal selection process is conducted, using external advisors, consisting of a series of interview stages, involving Directors and other Senior Executives, against the background of a specific role definition and objective criteria. Details of the composition, work and responsibilities of this Committee are set out under the relevant section later in this report.

All Directors are subject to annual re-election, although NEDs are typically expected to serve for an initial term of three years, which, in normal circumstances and subject to satisfactory performance/re-election at each AGM, is automatically extended annually. NEDs will normally serve no longer than nine years, subject to review as part of the AGM re-election process and their agreement. The Company's Articles of Association also contain provisions regarding the removal, appointment, election/re-election of Directors.

Commitment
For Board vacancies, the Nomination Committee approves a detailed job specification, which sets out the indicative time commitment expected. Potential Director candidates are required to disclose any significant outside commitments prior to appointment and must undertake that they have sufficient time to meet these, in addition to Company business.

Upon joining, each NED receives a formal appointment letter which identifies their responsibilities and expected minimum time commitment, which is typically two to three days a month. These letters are available for inspection at the Company's registered office.

Development
At scheduled Board and Committee meetings, Directors receive detailed reports/presentations from management on the performance of the Group or specific areas of focus/responsibility. NEDs may visit the Group's sales or other offices in order to join senior management from different geographic areas to discuss current initiatives. Directors are aware of their responsibilities and briefed on relevant regulatory, legal, governance or accounting matters periodically, as required. Directors also attend external seminars on areas of relevance to their role in order to facilitate their professional development. These measures help to ensure that the Board continues to develop its knowledge of the Group's business and get to know senior management, as well as promoting awareness of responsibilities. Executive Directors are encouraged to accept external appointments in order to broaden their experience, although currently no such positions are held.

Induction arrangements are tailored for new appointments to ensure that these are appropriate to each role, dependent on previous experience. Directors and other Senior Executives are invited to attend analysts' briefings and Capital Markets Days' presentations, and major shareholders are invited to meet new NEDs.

As part of the annual Board evaluation process, the Chairman assesses any training and development needs in respect of individual Directors, including on environmental, social and governance ('ESG') matters.

Board evaluation
As recommended by the Code, a Board/Committee evaluation was undertaken during the period under review. This took the form of electronic questionnaires circulated to all Board members and attendees. The key focus areas resulting from this exercise are summarised below and were discussed at the Board meeting in December 2019 with implementation to occur throughout 2020.

Stakeholder oversight
Scope to further develop engaging with customers and gain insight into our candidates across multiple geographies.

Employee engagement
Further develop the programme led by Denise Collis as the designated NED responsible for employee engagement and our CPO.

Culture and behaviour
Develop more effective reporting to understand current and future issues, challenges and opportunities.

Management of meetings
Further refining key strategic issues/rolling cycle of topics and taking a dynamic approach to identifying internal priorities and external influences.

Strategy session
Further improvement in the identification, action planning, implementation and monitoring of strategic priorities.

Risk management and internal control
Increase deep dives into specific risks/further develop appetite for risk.

As part of this process, the Chairman also discusses the individual performance of Directors, in consultation with other Directors. The evaluation process is considered to be both formal and rigorous and has led to the conclusion that, overall and individually, the performance of the Board, each Committee and each Director was and is effective and that Directors demonstrate full commitment in their respective roles. The SID also holds annual discussions with the other NEDs without the Chairman being present and also with the Executives, in order to appraise the Chairman's performance.

Audit Committee

As Chair of the Audit Committee, I am pleased to present, on behalf of the Board, its Audit Committee report, prepared in accordance with the UK Corporate Governance Code (the 'Code').

Anne Fahy
Audit Committee Chair
24 January 2020

Committee meetings attended (total of 4)

Anne Fahy (Chair)	4
Barrie Brien	4
Denise Collis	4
James Bilefield	4

Full biographies are available on pages 112 to 114.

Having reviewed the content of the Annual Report, the Committee considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company and the Group's performance, business model and strategy.

The Committee's principal responsibilities

- To monitor the integrity of the consolidated financial statements of the Group and any announcements relating to financial performance;
- To review significant financial reporting issues and judgements;
- It is requested by the Board, to advise whether, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- To review the Group's internal financial controls, internal control and risk management systems and reporting, including supporting the Board in overseeing risk management activity, advising on risk appetite and assessing material breaches of risk controls;
- To monitor and review the effectiveness of the Group's Internal Audit function;
- To agree the external auditors' engagement terms, scope, fees, non-audit services, to monitor and review the external auditors' effectiveness and associated independence and recommend re-appointment to the Board and shareholders;
- Reviewing arrangements by which the Group's employees may raise concerns about possible improprieties in financial reporting or other such matters and ensuring appropriate follow up;
- To monitor and review the activities and priorities of the Group's compliance function and Risk & Compliance Committee;
- Assessing procedures for detecting fraud or preventing bribery; and
- Where requested by the Board, advising on proposed strategic transactions, including conducting due diligence appraisals and focusing on risk aspects.

The Committee carries out an annual assessment of its effectiveness in order to consider whether any improvements are needed.

Following the creation of a new Centre of Excellence ('CoE') in Glasgow in 2018, the Committee has continued to monitor the transition and stabilisation phases, with particular focus on internal control aspects and is pleased to report a number of improvements, all of which will bring further systems and people benefits, as well as reducing Group risks.

Aligned with this, the Committee has sought to continue to strengthen governance and compliance processes, most notably by expanding the Risk & Compliance Committee structures into the regions, led by the Head of Compliance & Risk and building on the risk workshops held last year in each region. Work has also progressed on updating a number of key policies, whilst also expanding the externally-led evaluation of the Group's Health and Safety procedures, to encompass further regions, differing business models and specialisms.

By doing this, the Committee is able to support the Board to enable it to further embed the Code provisions on risk, control and viability, whilst strengthening the internal control environment by ensuring the independence, effectiveness and quality of both internal and external audit processes, as well as of the Committee itself.

Internal Audit ('IA') continues to play an integral role in the Group's governance and provides regular updates to the Committee, with tracking of remedial action in the case of any control failures. At the start of each year, an annual IA plan is presented for the Committee to agree, after appropriate review and challenge; and IA have also played a key part in helping the new CoE to better understand some of the issues identified and help drive through improvements. This is on top of the improvements made last year with the implementation of a robust action tracking system, which led to better transparency, accountability, quality and timeliness of action close outs. In line with best practice an external evaluation of the effectiveness and efficiency of IA was completed during the year with very positive results which included a recommendation to consider co-sourcing audits which might benefit from specialist knowledge or expertise. This will be considered as part of the 2020 IA work programme.

Significant focus is placed on key accounting judgements and estimates, which underpin the financial statements, namely:

- Revenue recognition;
- Tracker share arrangements;
- Exceptional items; and
- Impairment of investments carrying value (Company only).

All of these were considered in the light of the latest FRC guidance.

During the course of the year, the Committee also considered, amongst other matters, project implementation, technical accounting matters and their appropriate disclosure, treasury matters, as well as fraud and whistleblowing, whilst also supporting the Board in its discussions on crisis management, systems implementation, and other key risk areas. The Committee also co-ordinated a response to the FRC's letter of June 2019 regarding certain financial disclosures in the 2018 Annual Report, with no further action necessary.

As in prior years, it also took the opportunity to review and update its Terms of Reference and evaluated its performance, which it does annually, in line with best practice, although this year the evaluation was conducted internally. From this review, the Committee has concluded that it is functioning effectively, with an opportunity to work with management in articulating more clearly the Company's risk appetite.

Committee composition
The Committee consists of Anne Fahy (Chair), Barrie Brien, Denise Collis and James Bilefield. The Group Chief Executive Officer, Chief Financial Officer, Group Company Secretary, External Auditors, Head of Compliance & Risk, Internal Audit and Finance function heads also attend meetings by invitation.

Committee membership, including recent and relevant financial, audit or sector experience
Anne Fahy is a Chartered Accountant and has held senior executive financial positions at BP, whilst Barrie Brien is also a Chartered Accountant. Denise Collis and James Bilefield are degree educated and have held senior management positions, which include financial responsibility, and the Committee, taken as a whole, is considered to have appropriate services sector experience.

The Committee's Terms of Reference were reviewed during the year.

Risk management, internal controls, key focus areas and viability
The Committee supports the Board in its overall responsibility for risk management activities and implementing policies to ensure that all risks are evaluated, measured and kept under review by way of appropriate KPIs, as part of the Group's ERM framework.

Presentations from senior management across the business are provided to the Board to further develop information, understanding and debate on risks.

This activity includes monitoring of the effectiveness of the Group's risk management and internal control systems in order to safeguard shareholders' investments and the Group's assets and, at least annually, carrying out a robust assessment of risks and the effectiveness of associated controls on behalf of the Board.

No significant failings or weaknesses were identified by the Committee from this review.

The Committee works closely with Chief Financial Officer, Group Company Secretary, Head of Compliance & Risk, IA team and external auditors to ensure that any potential material misstatement risks are identified and targeted in terms of the overall audit strategy and that audit resources and the efforts of the engagement team are correctly allocated. This helps to ensure the effective planning and performance of the external and internal audit teams, focused on risk, and has resulted in a continued improvement in processes and controls over recent years.

A key focus area for the Committee, again, this year was reviewing the viability statement, to enable Board sign off, particularly in the light of Brexit and continuing macro-economic uncertainty globally.

External auditors
Responsibilities in relation to external auditors
During the year, the Committee carried out each of the following:

- Recommended the re-appointment of PwC as external auditors, for subsequent ratification of their remuneration and terms of engagement by shareholders;
- Reviewed and monitored the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Reviewed the policy on the engagement of the external auditors' and supply of non-audit services. This policy sets out prohibited and permitted services, a non-audit services fee cap and certain pre-approval thresholds.

Appointment, objectivity and independence
Following the conclusion of the formal audit tender in early 2017, both the Committee and the external auditors have safeguards in place to ensure that objectivity and independence are maintained. The Committee also considers independence taking into consideration relevant UK professional and regulatory requirements. Non-audit services relate to the half-year agreed-upon procedures, PwC inform subscription and FRC letter assistance, whilst net revenues generated to the Company through recruitment services provided to PwC as a client are not material.

The external auditors are required to rotate audit partners responsible for the Group audit every five years and the current lead audit partner, Kenneth Wilson, was appointed in 2019, following appropriate transition. This also reflected the focus of the audit team's activities moving to Glasgow, consistent with the Group's CoE operations base.

Performance and tendering
During the year, the Committee reviewed performance and fees and met with the external auditors, PwC, regularly, without management present. Prior to their most recent re-appointment, following a robust tender process, PwC originally replaced BDO as auditor in 1999 and became auditors of the public company in 2005. The Committee considered that factors such as regular audit partner rotation, adoption of enhanced audit techniques, as well as fee structure have all contributed to PwC's satisfactory performance and independence. The Committee therefore considers that the existing relationship has worked well and remains satisfied with PwC's effectiveness.

Whilst there are no contractual obligations restricting the Group's choice of external auditors, per se, EU rules now prevent certain 'prohibited' services from being carried out in addition to auditing activities. Any such activities must first cease, before a firm can be considered for audit tender. Accordingly, the external auditors ceased such services in 2016 in order to be considered for the tender completed in early 2017. These restrictions remain in place.

Framework used by the Committee to assess effectiveness of the external audit process
The Committee has adopted a broad framework to review the effectiveness of the Group's external audit process and audit quality which includes: assessment of the audit partner and team with particular focus on the lead audit engagement partner, planning and scope of the audit, including a dedicated audit planning afternoon, with identification of particular areas of audit risk, the planned approach and execution of the audit, management of an effective audit process, communications by the auditors with the Committee, how the auditors support the work of the Committee, how the audit contributes insights and adds value, a review of independence and objectivity of the audit firm and the quality of the formal audit report to shareholders.

Feedback is provided to both the external auditors and management by the Committee and its attendees, based on the above, with any actions reviewed by the Committee.

The effectiveness of management in the external audit process is assessed principally in relation to the timely identification and resolution of areas of accounting judgement, the quality and timeliness of papers analysing those judgements, management's approach to the support of independent audit and the booking of any audit adjustments arising as well as the timely provision of documents for review by the auditors and the Committee.

Policy on non-audit work

The Committee sets clear guidelines on non-audit work, which is only permitted where it does not impair independence or objectivity and where the Committee believes that it is in the Group's best interests to make use of built-up knowledge or experience. Such work has included services required due to legislation and assurance work or other specialist services. The Committee continuously monitors the quality and volume of this work, fees incurred, as well as independent safeguards established, in order to consider whether to use other firms and continues to use such firms to provide general tax advice or for other projects.

Following the introduction of EU Ethical Standards for Auditors in 2016, the Committee reviewed its policy on non-audit work and has updated it. As such, the policy aligns with regulations to prohibit a number of non-audit services, whilst also meeting APB Ethical Standards and FRC guidance, to clearly set out:

- which types of non-audit work are prohibited;
- the types of work for which external auditors can be engaged without Audit Chair referral, provided such services fall below £25,000 and are not specifically prohibited; and
- for which types of work Audit Committee Chair referral is needed, i.e. which are above £25,000.

Fees paid to external auditors for non-audit work

Audit fees for the year were £415,000 (£390,000 base fee, plus £25,000 additional audit costs related to the transition of the support function to Glasgow). Prior year fees were £487,000 (£357,000 base fee, plus £130,000 additional audit costs related to the transition of the support function to Glasgow). The Committee reviews all non-audit work against policy to ensure it is appropriate and the fees justified. Non-audit fees have decreased compared to prior years, these fees were £13,000 in 2019 (2018: £37,000).

Significant accounting judgements and estimates in the financial statements and matters considered in relation thereto

Significant areas considered by the Committee in relation to the 2019 Annual Report and financial statements and how these were addressed, include the following:

Revenue recognition

Contract revenue is recognised when the supply of professional services has been rendered. This includes an assessment of professional services received by the client for services provided by contractors between the date of the last received timesheet and the year end.

Revenue is therefore accrued for contractors where no timesheet has been received, but the individual is 'live' on the Group's systems, or where a customer has not yet approved a submitted timesheet. Such accruals are removed after three months if no timesheet is received or customer approval obtained. The amount of contractor revenue that is accrued rather than billed at each period end is significant.

The value of unsubmitted timesheets for each individual contractor is system generated and estimation is principally in respect to the number of hours worked. The number of hours worked is based on the contractual hours and working days for each contractor and adjusted for expected holidays or other events that could reduce the revenue. Furthermore, since the Group transitioned into IFRS 15 on 1 December 2018, a historical shrinkage rate started to be applied to the system-generated Contract accrued income. Shrinkage represents the difference between actual amounts billed and accrued revenue and costs. This adjustment ensures that the accrued income is only recognised as revenue to the extent that its significant reversal will not occur in the next financial year.

External and internal auditors verified procedures around revenue recognition and reported their findings. The estimation method applied and the use of the shrinkage rate to the system-generated Contract accrued income were considered appropriate by the Committee and in line with IFRS requirements.

Tracker share arrangements

The tracker share arrangements are complex in nature and therefore challenging to disclose in a way that is understandable to the reader whilst continuing to highlight the judgements involved.

In the light of this, each year, the Committee re-examines the key areas of judgement in order to be satisfied that these are clearly disclosed. There are significant accounting differences (generally with respect to measurement) when comparing the treatment of an equity-settled and a cash-settled share-based payment scheme. The tracker share scheme gives the Group the choice to settle in either SThree plc shares or cash and therefore the treatment of this scheme in the financial statements as equity-settled is judgemental. Given the material quantum of amounts involved, the Committee focused on this significant judgement. In order to satisfy itself that treatment of the scheme as equity-settled is appropriate, the Committee verified that the practice to date has been to settle tracker shares using SThree plc shares, and sought re-confirmation from the Board that it is the ongoing intention to settle the scheme in this way. This policy is disclosed within the financial statements.

When tracker shares are settled using treasury shares the accounting requires judgement. The Companies Act is not explicit on how the re-issue of treasury shares should be accounted for in this scenario. The Committee had previously reviewed legal advice obtained by management in this area which confirms the appropriateness of the treatment adopted within the financial statements, as disclosed further in the notes to the financial statements. There have been no changes to suggest this legal advice is superseded in any way. The Audit Committee also reviewed the disclosure of this judgement in note 1 of the financial statements, and considered it to be appropriate.

Exceptional items

As in 2018, certain items of cost and income were separately presented as exceptional items and excluded from the Group's performance measures on the face of the Consolidated Income Statement.

The majority of the exceptional items recognised in the current year were attributable to the CEO change and senior leadership restructuring. Cost items classified as exceptional were primarily contractual payments to the departing CEO and regional leaders.

As the classification of these costs is judgemental and the valuation of the provision requires estimation, these matters were discussed with senior members of the finance team. The Committee reviewed the applied criteria and timing of these costs to ensure such classification and presentation was consistent with the Group's accounting policy as set out in note 1 of the financial statements, internal policy, and external guidance.

The Committee considered that an appropriate disclosure as exceptional items continues to provide a better understanding of the Group's underlying results and is in line with IFRS requirements. Both external and internal auditors performed detailed verification procedures on the exceptional items and related provisions and the external auditors reported their findings to the Committee.

Impairment of investments carrying value (Company only)

The parent Company held investments in UK and overseas subsidiaries, which had a total carrying value of £212.1 million (2018: £213.9 million) at the year end. An annual review is performed to assess whether there is an indication that these investments are impaired. If any such indication exists, the recoverable amount of the investment is estimated, being the higher of an entity's 'fair value, less costs of disposal' and its 'value in use'.

Ahead of the year end, the Committee was briefed by Chief Financial Officer that certain indicators of impairment of the UK business existed at the reporting date. It followed a review of key judgements on future trading performance of the Group's UK arm, and key estimates including growth and discount rates, which resulted in the impairment charge of £8.2 million recognised in the Company's accounts (see note 12). Given the downturn in the trading performance of the UK business, an impairment charge was anticipated by the Committee. Estimates and judgements applied in the valuation of the investment were considered to be appropriate by the Committee and in line with IFRS requirements. The external auditors and senior members of the finance team performed detailed verification procedures on the valuations of the investments and the external auditors also reported their findings to the Committee.

Material misstatements – management confirmed to the Committee that they were not aware of any material misstatements, management override or fraud and the external auditors confirmed that they had found no evidence of such during the course of their work. After reviewing reports from management and following its discussions with the external auditors, the Committee is satisfied that the financial statements appropriately address critical judgements and key estimates, both in respect of the amounts reported and the disclosures.

Internal Audit ('IA')

IA plays an integral role in the Group's governance and risk management processes and provides independent assurance to the Committee on compliance with its policies and procedures. The function carries out a wide variety of audits including operational as well as ad hoc and project-based reviews and fraud investigation.

The Committee oversees and monitors the work of IA, which carries out risk-based reviews of key controls and processes throughout the Group on a rolling cycle, including resources, scope and alignment with principal risks and effectiveness of the function.

The Head of IA has direct access to the Committee, and meets regularly with both the Committee and its Chair without management present to consider the IA work programme, which is approved in advance by the Committee.

For 2019, the programme was again focused on addressing both financial and overall risk management objectives across the Group, with reviews carried out, findings reported to the Committee, recommendations tracked and their close out monitored. Again, the IA function was also heavily involved in reviewing the documentation of the processes and controls to enable a successful CoE transition and stabilisation, as well as assessing the Group's key risks, including Brexit readiness and its associated business impact.

No significant weaknesses were identified from the risk management or internal control reviews undertaken by IA during the reporting period and throughout the financial year. The IA team, working with the Group's compliance function, has continued to enhance the risk management framework and work with managers across the globe to further develop and embed the risk framework and methodology at a local level, whilst also ensuring that the IA plan is closely aligned to risk. Senior management regularly present to the Committee to report back on progress against agreed IA actions and other risks in their area of responsibility. During the year, the Committee received presentations from, and held discussions with, key management and external specialists, including on tax matters, project management, and health and safety. Members also attended a risk workshop, where the Group's key risks were discussed, including operational, IT and cyber risks.

The Committee ensures that the Group's IA function remains at an appropriate size and skill mix for the business, and firmly believes that this function remains effective and continues to add significant value. In support of this view, an external evaluation of the IA function was conducted during 2019 which concluded that the IA function was highly effective.

Risk & Compliance Committee ('R&CC')
The R&CC was created in May 2018, with agreed Terms of Reference, a regular reporting slot at each Audit Committee and Risk & Compliance Committee meetings all now well underway, with appropriate support/governance underpinning. Resourcing requirements continue to be reviewed. Feedback from Committee members is that this has been a very positive step forward, resulting in a number of demonstrable improvements, including: risk role matrix roll-out and move to demarcate sales input in relation to compliance decisions, in order to mitigate certain risk issues in USA; review of construction/SoW activity in DACH; reporting and investigation of compliance breaches in Benelux/France. There is also a dynamic input into the IA plan, with emerging risks identified and addressed more seamlessly than before.

Fraud
The Committee reviews the procedures for the prevention and detection of fraud in the Group.

Suspected cases of fraud must be reported to senior management and are investigated by IA, with the outcome of any investigation reported to the Committee. During the year, IA investigated one minor fraud incident, with appropriate action taken.

Anti-bribery and corruption and business ethics
The Group maintains a zero tolerance approach against corruption. It has an established anti-bribery and corruption policy, which includes guidance on the giving and receiving of gifts and hospitality. This policy applies throughout the Group and was updated in 2019, in line with the policy review reported to the Committee. A Gifts and Hospitality Register is maintained to ensure transparency.

The Group also has a Code of Conduct which sets out the standards of behaviour by which all employees are bound. This is based on the Group's commitment to acting professionally, fairly and with integrity.

Whistleblowing hotline
The Group has in place a dedicated independent whistleblowing hotline, with any notification reported to the Committee. Under this arrangement, employees are able to report any matters of concern, where this does not conflict with local laws or customs (see 'Company information and corporate advisors' section for details). Policy aligns with best practice, with a review of hotline provider and refresh communication of the whistleblowing arrangements undertaken last year. During the year, there was one incident reported. All issues raised are fully investigated and appropriate action taken.

Committee evaluation
Following an external evaluation in 2018, the Committee conducted an internal evaluation process which included feedback from management, external auditors, IA, as well as Committee members. From this review, the Committee has concluded that it continues to function effectively with an opportunity to work with management in articulating more clearly the Company's risk appetite.

Anne Fahy
Audit Committee Chair
24 January 2020

Directors' remuneration report

On behalf of the Board I am pleased to present the Remuneration Committee's annual report on Directors' remuneration for the year ended 30 November 2019.

Denise Collis
Chair of the Remuneration Committee
24 January 2020

Committee meetings attended (total of 4)

Denise Collis (Chair)	4
James Bilefield	4
Barrie Brien	4
Anne Fahy	4

Full biographies are available on pages 112 to 114.

Dear Shareholder
On behalf of the Board, I am pleased to present this Directors' remuneration report for the period ended 30 November 2019. As the 2020 AGM will be the third anniversary of shareholders approving our remuneration policy, we are required to seek shareholder approval by a binding vote for a new policy for the next three-year period. The new Directors' remuneration policy is set out on pages 132 to 137, together with a summary of the changes, compared to our existing policy, that we propose to make. The Annual report on remuneration (set out on pages 138 to 154) describes how the current policy was implemented in 2019 and how the new policy will be implemented in 2020. The Annual report on remuneration, together with this Statement, will be subject to a separate, advisory vote.

As a Remuneration Committee, we remain sensitive to the topic of executive pay for all stakeholders, including companies, employees and shareholders, and have ensured that our new remuneration policy reflects best practice and investor guidelines. There has been a thorough engagement process with our major investors both in July 2019 and, following feedback, in December 2019.

We welcomed the views and opinions of those investors who responded who, despite some variations in perspective, were supportive of the new policy. This reinforced our view that our pay policy reflects our business strategy, with remuneration payments that are strongly linked to performance. We have also commenced this year a rolling programme of engagement with employees around reward, which we intend to build upon during 2020. I have personally engaged with employees across a number of our offices in the UK and overseas, and we recently held a very interactive and productive session with a diverse group, drawn from across the business, to explain our corporate governance processes and how our pay policy cascades throughout the Company.

Summary of the new remuneration policy
The Committee has reviewed the market levels of the current remuneration arrangements, and considered alternative incentive models, and has concluded that the remuneration levels and the structure of the current remuneration policy should be unchanged, subject to careful consideration of the latest UK Corporate Governance Code requirements and investor guidance. Accordingly, there are a number of changes, including the structure and level of deferral applying to the annual bonus, and shareholding requirements. Full details of the changes are given in the Policy section.

The fixed elements of the remuneration packages are set so that they reflect the calibre and experience of the individuals and the complexity of their roles. The annual bonus measures are based on specific areas that require immediate focus, whereas our Long Term Incentive Plan ('LTIP') looks to drive sustainable improvements at a more macro level over the longer term. Culturally, the setting of both financial and broader non-financial measures serves to focus scheme participants on a more holistic view of business success and hence serves to drive performance on a broad, sustainable front.

We are aware that the landscape is evolving rapidly on executive pensions and we will keep this issue under review in future years in relation to the pension contributions for the CEO and CFO (currently 5% and 15% of salary respectively). As previously communicated to shareholders, the pension contribution for the CFO will be frozen at the current monetary value and we will shortly be conducting a Group-wide review of pension provision.

Remuneration payable for performance in 2019
Despite the continuing uncertain macro-economic and geopolitical conditions, the Group delivered a record performance in 2019, whilst also witnessing share price growth following the new CEO, the CFO and other members of the senior team engaging with investors at the Capital Markets Day in November 2019. In relation to the annual bonus, the Group delivered a performance that was in line with market expectations, despite sector downgrades. This was driven by strong growth in Continental Europe, USA, and Japan. Against the financial targets that were set for the annual bonus, there was strong PBT growth versus the prior year and solid operating profit conversion and cash conversion. Looking at the wider context, good progress was also made on many of our KPIs, including our strategic and personal objectives.

Reflecting this record performance, the annual bonus paid to the CEO and CFO was 55.7% and 55.2% of the maximum respectively.

The 2017 LTIP award was based on our performance over the three financial years to the end of 2019. For the third of the award based on the EPS performance condition, this required adjusted EPS growth to be between 25.0p and 32.0p. Adjusted EPS performance for 2019 was 33.2p, resulting in 100% vesting of the EPS part of the award. For the third of the award based on our Total Shareholder Return ('TSR') performance, our TSR was required to be between median and upper quartile performance against a peer group. Actual TSR was at the 61st percentile resulting in 55% pay-out of this part of the award. The final one third of the award was subject to a range of strategic measures relating to the customer and employee and relative net fees performance compared to our peers. The outturn in relation to the customer and employee targets was 53.3% of the maximum, reflecting improvement in revenue from new product lines and improvement in certain aspects of engagement. With regards to the net fees measure compared to our peers, most have a 31 December year end meaning that we cannot calculate the result yet. Consequently, vesting of this part of the award, if any, will be held back until the result is known. Overall the LTIP pay-out, on an interim basis excluding the net fees element, is 63.5% of the maximum.

The Committee has considered whether the formula-driven pay-outs under the incentive plans and resultant total remuneration for Directors is appropriate, looking at the broader context within which the performance has been delivered. In particular, the Committee has noted the following points:

- Profit performance represents a record achievement, with good year-on-year growth in a challenging market that has also seen recent sector downgrades.
- Sound progress has been made across a number of key strategic imperatives, including the development of the Centre of Excellence in Glasgow.
- This has been a year of significant internal change, with a new CEO and departures of the existing CEO and COO, as well as key changes in the wider senior management team. This has caused some inevitable disruption which has been well managed and has not deflected from delivering a strong performance for all stakeholders.

Taking the above into account the Committee is comfortable that there has been a robust link between remuneration and performance and that there was no need to use discretion to adjust the level of remuneration payable.

Full details of the annual bonus and LTIP measures, performance against them and resultant payments are set out in the Annual report on remuneration.

Policy implementation for 2019
The Committee has increased the salary for the CEO, who joined mid-year, by 1.9% (2.5% pro-rata for time in role last year) and awarded the CFO an increase of 2.5%, which is in line with the average increase for employees generally.

The mix of measures for the annual bonus scheme has been changed so that the financial element has increased from 65% to 80%, with shared strategic and personal objectives reduced to 10% each. This increased focus on financial performance is appropriate as we seek to maximise returns from the significant investments in our people and operations. Appropriate measures have been set for the shared strategic and personal elements, with commensurate stretching targets.

The LTIP will continue to be based on SThree's performance over three years and subject to a two-year holding period post-vesting. For 2020 the grant level will be unchanged at 150% of base salary. It is again proposed that the weighting of performance measures should be 50% EPS, 30% TSR and 20% strategic. The Committee has given careful consideration to the setting of targets for 2020, looking to balance the forward momentum from a record performance in 2019 with continuing uncertain macro-economic and geopolitical conditions, which are starting to manifest themselves in the results of some of our competitor peer group. For the annual bonus, the financial target ranges are set at a level which is above the prior year outturn and contain significant stretch. Similarly, for the 2020-2022 LTIP award, the EPS range requires significant growth from the strong 2019 outturn in order for awards to reach threshold, with a high level of stretch required in order to achieve full vesting. Furthermore, the Committee retains discretion to ensure that annual bonus payments and vested awards under the LTIP can be scaled back if the formula-driven outturn does not reflect the broader overall performance of the business. Full details of the annual bonus measures and the measures and targets for the 2020-2022 LTIP awards are set out in the Annual report on remuneration.

Chief Executive Officer succession and Chief Operations Officer stepping down
As announced on 28 February 2019, the Board was delighted to secure the appointment of Mark Dorman as Chief Executive Officer, who commenced employment on 18 March 2019. Mark’s starting salary of £475,000 together with a pension contribution of 5% of salary was lower overall than the total salary and pension contribution (combined) of his predecessor, Gary Elden. The remainder of Mark’s starting package also was fully in line with the remuneration policy and there were no buy-out arrangements relating to remuneration forfeited from his previous employer.

Gary Elden stepped down from the Board as CEO on 18 March 2019 and remained with the Company until 24 April 2019 to ensure a smooth handover to his successor. Gary’s notice period commenced on 18 December 2018 when the Company announced that he was stepping down. After ceasing active employment he was placed on garden leave for the remainder of his contractual notice period and continued to be paid his base salary, benefits and pension equivalent monthly, in the absence of any outside earnings during the period.

The Committee determined that Gary is a ‘good leaver’ for the purpose of incentive plan awards. On this basis he received an annual bonus in respect of 2019, pro-rated for active service, as set out in the Directors’ emoluments table. For outstanding 2017, 2018 and 2019 LTIP awards, the performance conditions attached to these awards will be measured over the original performance periods and the awards have been scaled back pro-rata for the proportion of the vesting period completed.

As announced on 1 July 2019, Justin Hughes stepped down from the Board as COO on that date. He was served a 12-months’ notice by the Company and following a short handover period was placed on garden leave for the remainder of his contractual notice period. To date he has continued to be paid his base salary, benefits and pension equivalent monthly, in the absence of any outside earnings during the period.

The treatment of Justin’s outstanding incentive plan awards are the same as for Gary Elden, except that the two-year post- vesting holding period will continue to be applied for Justin, reflecting our policy at his date of leaving.

Shareholder engagement, response to UK Corporate Governance Code changes and reporting requirements for Directors’ pay
The Committee values the opinions of its shareholders and other stakeholders and took their views into account in designing the proposed remuneration policy for 2020-2022 and also in assessing current policy application.

We also gathered broader stakeholder input, as required by the UK Corporate Governance Code reforms announced by the Financial Reporting Council in July 2018. This included my appointment as the designated NED responsible for employee engagement, which is aimed at ensuring that the voice of our people is heard around the Board table. The Committee also took a number of other steps, announced last year, to comply with the new Code requirements

To ensure maximum transparency and accountability we have chosen to comply early with the new reporting regulations for Directors’ pay, including publication of the ratio of our Chief Executive’s pay to that of the workforce.

Chairman and NED fees
Following a review last year of the fee levels for the Chairman and NEDs, these remain unchanged for 2020.

Conclusion
The Committee appreciates the support received from shareholders to date on its executive remuneration and governance approach and looks forward to this continued support for the resolutions to approve the new policy and the Annual report on remuneration at the AGM in April 2020.

Denise Collis
Chair of the Remuneration Committee
24 January 2020

Remuneration at a glance

How have we performed?

Bonus – maximum potential 120% of base salary

Metric	Threshold	Maximum	Actual	Achievement %
PBT	£54.0m	£62.0m	£59.1m	48.9%
Operating conversion ratio	17.0%	18.0%	17.5%	58.3%
Cash conversion ratio	79.0%	91.0%	84.0%	38.8%
Average shared strategic achievement*				65.0%
Personal achievement*				CEO: 75.0%; CFO 70.0%
Total achievement				CEO: 55.7%; CFO 55.2%
Total bonus (% of maximum)				**CEO: 55.7%; CFO 55.2%**

* Full details set out in the report.

2017 LTIP Award – grant 150% of base salary

Metric	Threshold	Maximum	Actual	Achievement %
EPS (adjusted)	25p	32p	33.2p	100%
TSR	Median	Upper quartile	61st percentile	55%
Customer, Employee and relative Gross Profit targets	See detailed breakdown of targets on page 145			53.3%*
Total award (% of maximum)				63.5%

* This represents an interim assessment of performance.

Summary of total reward

	Reward component	CEO*	CFO
2019	**Base pay £'000**	**£335.5**	**£350.1**
	Total remuneration £'000	**£642.9**	**£1,013.4**
2018	Base pay £'000	£453.1	£341.6
	Total remuneration £'000	£1,064.0	£813.1

* 2019 CEO figures relate to Mark Dorman, who served for part of the year.

How we will apply the remuneration policy in 2020

Key reward component	Key features
Base salary and core benefits	CEO salary increased by 1.9% (2.5% pro-rata); CFO salary increased by 2.5%, in line with average increase for employees Pension contribution: 5% of salary for CEO and £51,237 for CFO
Annual bonus – 80% Group financial targets – 10% Strategic target – 10% Personal target	Maximum of 120% of salary, with one third of any bonus award paid in shares and held for two years
LTIP award – 50% EPS – 30% TSR – 20% Strategic targets (improving long-term operating margin)	Maximum award of shares worth 150% of annual salary, performance tested, vesting after three years with a further two-year holding period
Shareholding requirements	Requirement to build up and hold shares equivalent to 200% of salary whilst employed. Post service requirement to hold the lower of 200% of salary or actual shareholding for two years after cessation of employment

Remuneration policy report

Policy report
This section of the Directors' remuneration report sets out the Group's remuneration policy for Directors. This will be subject to shareholder approval at the AGM held in April 2020 and will apply for three years from that date.

The remuneration policy is designed to support the strategic business objectives of the Group so as to attract, retain and motivate Directors and senior managers of a high calibre, in order to deliver sustainable increases in long-term shareholder value.

Changes to the policy
The changes to the policy are as follows:

Pension:
- The policy for new recruits will be to align the percentage contribution to the percentage rate applying to the majority of the workforce at that time. This is currently 4% but will be subject to a Group-wide pension review which is shortly to commence.
- The CEO receives a pension contribution of 5% of salary (reduced from the previous incumbent contribution of 15% of salary) which will continue. Under the current policy the CFO receives a pension contribution of 15% of salary. Under the new policy his pension contribution will be capped at £51,237 (which is the cash equivalent value of 15% of salary, based on the 2019 salary).

Annual bonus:
- The current policy on bonus deferral requires any bonus paid in excess of 100% of salary to be deferred in shares, vesting equally after one and two years subject normally to continued employment. Under the new policy one third of any bonus earned will be required to be invested in shares. The shares will be beneficially owned by the executive at the outset but must be held for a minimum of two years. While the shares will not be subject to a risk of forfeiture if an individual were to leave, they must continue to be held and would be subject to robust malus and clawback provisions.
- The Committee will be able to apply discretion and adjust any formula driven outcome to reflect, for instance, broader performance factors (also applicable to the LTIP).

Shareholding requirement:
- Individuals will be required to retain shares at the lower of the 200% of salary shareholding requirement, or the actual shareholding on departure, for two years after their employment has ceased. Self-purchases of shares will be excluded from counting towards this post-employment requirement. There will be a robust process to maximise the enforceability of the post-cessation holding requirement.
- There will be no early vesting of LTIP or bonus share awards on cessation of employment, or early release of shares during the post-cessation holding period (other than in exceptional circumstance such as serious ill-health).

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Executive Directors				
Base salary	Sufficient to attract, retain and motivate high calibre individuals.	Reviewed annually with any increases taking effect from 1 December.	Increases will normally be the equivalent to the average salary increase for employees, other than in exceptional circumstances.	Not applicable
Benefits	Market competitive benefits package.	Including car allowance, private medical insurance, permanent health insurance, life assurance and housing allowance (if relocated). Other benefits may be introduced to ensure benefits overall are competitive and appropriate for the circumstances.	Cost of insured benefits will vary in line with premiums. Other benefits will be at a level considered appropriate in the circumstances.	Not applicable

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Pension	To provide a competitive pension provision.	Individuals may either participate in a pension plan into which the Group contributes or receive a salary supplement in lieu of pension.	A Group contribution to a pension scheme or cash in lieu, of 5% of salary for the CEO and a capped £51,237 for the CFO. For new joiners a pension contribution in line with the rate applied to the majority of the workforce (currently 4%).	Not applicable
Annual bonus	Incentivises high levels of personal and team performance, focused on the key business strategies and financial/ operational measures which will promote the long-term success of the business.	Deferral into shares for one third of any bonus earned, which must be held for two years. Dividends or dividend equivalent payments accrue on deferred shares, payable normally in shares. Bonus may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error, misconduct, reputational damage or corporate failure, which has led to an over-payment.	Maximum bonus payment is 120% of annual salary.	Achievement of agreed strategic and financial/ operational annual business targets, weighted in line with business priorities. A majority of the performance conditions will be based on financial metrics. Sliding scales are used for each metric wherever practicable with 20% payable for achieving threshold performance. Normally 50% of the maximum bonus is payable for target performance for any financial metric. Within the maximum limit, the Committee may adjust bonus outcomes, based on the application of the bonus formula set at the start of the relevant year, if for instance it considers the quantum to be inconsistent with the Group's overall performance during the year.

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Long Term Incentive Plan	Incentivises and rewards Executives for the delivery of longer-term strategic objectives and to reward substantial relative and absolute increases in shareholder value.	LTIP awards may be granted each year in the form of a conditional award of shares or a nil cost option. LTIP awards normally vest after three years. Dividend equivalent payments accrue on vested LTIP awards, payable normally in shares. Vested LTIP awards must be held for a further two years before the shares may be sold (other than to pay tax). LTIP awards may be subject to clawback or malus being applied, if appropriate, in the event of financial misstatement, error, misconduct, reputational damage or corporate failure, which has led to an over-payment.	The maximum award is 150% of salary p.a. in normal circumstances but may be 175% of salary in exceptional circumstances.	Targets are reviewed annually ahead of each grant to ensure they are aligned to the business strategy and performance outlook. A majority of the performance conditions are based on Group financial performance and shareholder value-based outcomes. No more than 25% of an award may vest for the threshold level of performance. Within the maximum limit, the Committee may adjust vesting outcomes, if it considers the quantum to be inconsistent with the Group's overall performance during the performance period or for other factors, at its discretion.
All employee share plans	Support and encourage share ownership by employees at all levels.	HMRC approved SAYE and SIP participation is available to all UK employees, including Executive Directors, on similar terms.	In line with HMRC limits or lower limits specified by the Group from time to time.	Not applicable
Share ownership requirements	Alignment of Executive Directors' interests with those of investors.	Executive Directors are expected to build and maintain a shareholding equivalent in value to no less than 200% of base salary. Until this threshold is achieved Executive Directors are normally required to retain no less than 50% of the net of tax value from vested LTIP, deferred bonus or other share awards (after the expiry of any relevant holding period). After ceasing employment Executive Directors must normally retain a level of shareholding for two years equivalent to the lower of 200% of salary, and the level of shareholding on ceasing employment with the Group. Self-purchased shares are excluded from this requirement.	Not applicable	Not applicable

As part of this policy, any payments due under the terms of the previous policy are capable of being made.

Operation of incentive plans

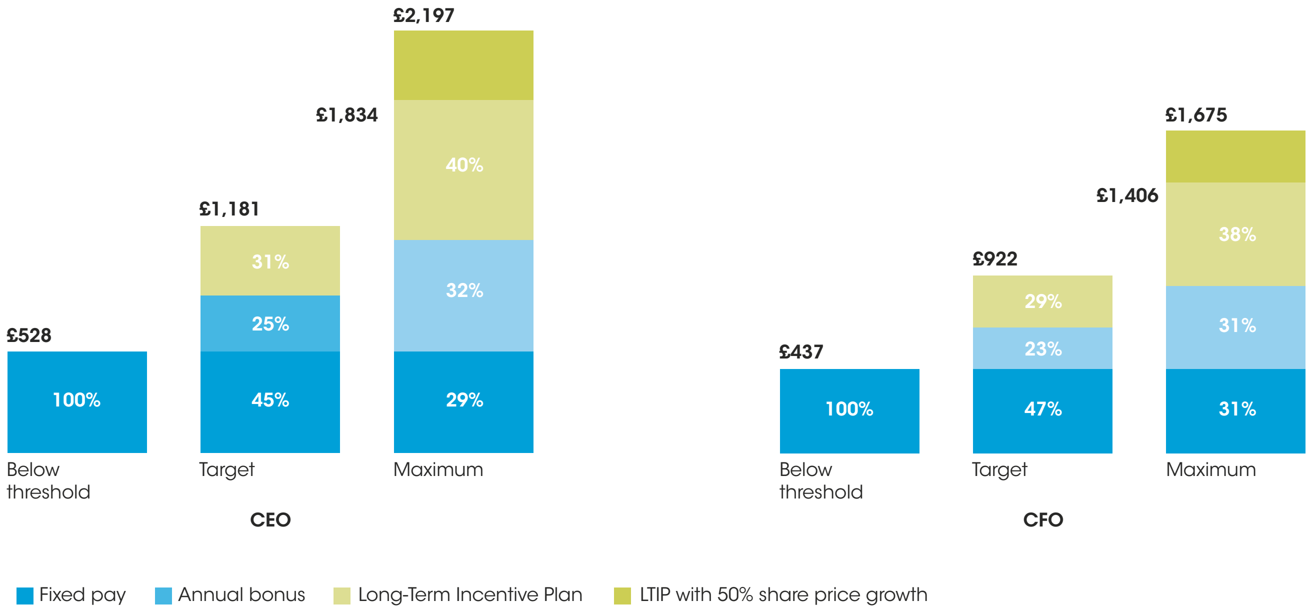
The Committee's policy is to review performance measures for the incentive schemes annually, so that they continually align with strategic objectives. The Committee considers that linking annual bonus and the vesting of LTIP awards to a combination of different measures, capturing share price, financial results and non-financial performance, will ensure that incentive plans provide a reward for rounded performance, while maintaining the alignment of Executive and shareholder interests.

The Committee may exercise discretion in assessing achievement against each stated target where it considers that it would be fair and reasonable to do so. The Committee may also exercise broader discretion in relation to the terms of all incentive plans, for instance (but not limited to) adjustments required for corporate restructuring and change of control.

In designing incentive structures and approving incentive payments, the Committee pays due consideration to risk management and environmental, social and governance ('ESG') issues.

Illustration of potential 2020 Executive Directors' remuneration

The charts below show the remuneration potentially payable to Executive Directors under different performance scenarios.



Note:

Assumptions for the charts above:

Fixed pay comprises base salary as at 1 December 2019, pension contribution of 5% salary for the CEO and £51,237 for the CFO, and the value of benefits received in 2019.

The on-target level of bonus is 50% of the maximum opportunity. The on-target level of the LTIP is taken to be 50% of the value of a single year's award.

The maximum level of bonus and LTIP is the maximum bonus and full vesting of the LTIP award. No share price appreciation has been assumed for deferred bonus or LTIP awards and the value of all-employee share plans has been excluded. The 'maximum' column includes an additional 50% value of the LTIP.

Role of the Committee in overseeing broader employee pay and differences in remuneration policy for Executive Directors compared to other employees
The Committee actively considers the pay structures across the wider group when setting policy for Executive Directors to ensure that a consistent approach to reward is adopted that is in line with our values. There is a particular focus in relation to any base salary review.

Overall, compared to most employees, the remuneration policy for Executive Directors is weighted more to long-term share-based incentives and stringent deferral and shareholding requirements. This is to ensure that the relatively higher pay levels are justifiable internally and externally to shareholders as a clear link between the long-term value created for shareholders and the remuneration received by Executives.

Consideration of employment conditions elsewhere in the Group
When setting the Executive Directors' remuneration policy, the Committee takes into account the pay and conditions of employees more generally and, at least once a year, is given full details of the remuneration policy across the Group, with any changes highlighted. As mentioned earlier, the Committee Chair also has responsibility to engage on employee pay.

During the year Denise Collis met with employees from across the organisation to explain how executive pay aligns to that of the workforce. Meetings were also held with regional management, employees and HR representatives as part of the Board's rolling programme of office visits.

Consideration of shareholders' views in determining the remuneration policy
The Committee actively consults with shareholders on executive remuneration policy changes. Feedback is taken on board and any proposals are adjusted, as appropriate, given the objective of ensuring that shareholders are supportive of the policy and its implementation. In addition, the Group follows shareholder sentiment on executive pay and takes it into account in considering the application of policy in the years between the development of a new policy. The last exercise was undertaken in July and December 2019, as outlined in the Chair's Statement and shareholder feedback was incorporated into the policy proposals.

Remuneration policy for recruitment and promotion
Base salary levels will be set in line with the policy taking account of individual circumstances.

Benefits and pension will be in line with the policy. Additionally, there is flexibility to make payments to cover relocation and other related expenses.

Annual bonus will be in line with the policy and there is flexibility to set different performance conditions measurable over a part-year, in the first year of appointment.

For internal promotions, outstanding incentive payments may vest on their original terms. For external recruits there may be a need to buy out unvested incentive entitlements at a previous employer. The Committee confirms that any such buy out arrangements would only be used if necessary, would take a similar form to that surrendered (e.g. cash or shares and timeframe), would take account of performance conditions and quantum, and would be no greater than that which the individual has forfeited on appointment.

Policy on Directors' service contracts and payments for loss of office
The Executive Directors have rolling service contracts subject to a maximum of 12-months' notice by the Group or Executive. At the Group's discretion, on termination a payment may be made in lieu of notice equivalent to 12-months' salary, which may be paid in monthly instalments and offset against future earnings. For new hires the policy is to provide a 12-month notice period.

Depending on the circumstances the Committee may consider payments in respect of statutory entitlements, outplacement support and legal fees. Mitigation would be applied to reduce any payments associated with loss of office.

'Good leavers' (e.g. redundancy or retirement) may generally retain any earned bonus (pro-rata If active employment ceases part way through the year) or share-based awards, with LTIP awards scaled back on a pro-rata basis for the portion of the vesting period elapsed on cessation of active employment, subject to still achieving any relevant performance criteria. Awards would vest at the normal time and any deferral or holding periods would continue to apply for the normal duration. Only in exceptional circumstances would awards vest or shares be released early, such as serious ill-health.

'Bad leavers' such as a resignation will lose any entitlement to participate in the bonus scheme and any outstanding deferred bonus or LTIP awards will normally lapse on cessation of employment.

External appointments
Executive Directors are encouraged to undertake one external appointment, where they are able to combine this with their existing role. This helps to broaden experience and capability, which can benefit the Group. Currently, no external appointments are held by any Executive Directors.

Terms of appointment and remuneration policy for Non-Executive Directors ('NEDs')
NEDs are appointed for an initial three-year term, subject to satisfactory performance and re-election at each AGM, with an expectation that they would serve for at least six years, to provide a mix of independence, balance and continuity of experience. In practice NEDs may be requested to serve up to nine years, subject to rigorous review.

The appointment may be terminated by either the Group or the NED giving a three-months' notice. Upon termination or resignation, NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment. The policy for the remuneration of NEDs is summarised below:

Element	Purpose and link to strategy	Operation	Maximum	Performance metrics
Fees	Attracts, retains and motivates high calibre NEDs to provide experience, capability and governance in the interest of shareholders.	Fees are determined by the Board as a whole and set by reference to those fees paid in similar companies, related to allocated responsibilities and subject to the aggregate Directors' fee limits contained in the Group's Articles of Association. Out of pocket expenses including travel may be reimbursed by the Group in accordance with the Group's expenses policy (and may settle any tax incurred in relation to these). NEDs are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment.	There is no maximum individual fee limit. The overall fee comprises a basic fee plus payment for additional responsibilities such as chairing Committees and for interim additional duties. NEDs do not participate in the Group's incentive schemes.	Obligation to perform satisfactorily and attend and contribute to meetings, assessed via Board effectiveness reviews.

Sourcing shares for share plans and Minority Interests (tracker shares)
Shares used to settle vested share awards or tracker shares may include new issue shares, treasury, Employee Benefit Trust 'EBT' shares or market purchased shares. The use of new issue or treasury shares is constrained by dilution limits which are reviewed by the Board annually. In order to comply with investor guidelines, the Board has agreed that the LTIP awards granted in 2015, 2016, 2017 and 2019, will be satisfied using market purchased shares via the EBT, if appropriate.

Annual report on remuneration

Section 1 – Total reward for 2019
1.1 Directors' remuneration for 2019
1.2 Annual bonus payable for 2019 performance
1.3 Shared strategic objectives 2019 performance
1.4 Personal objectives 2019 performance
1.5 LTIP awards vested by reference to performance over the three years to 2019

1.1 Directors' remuneration for 2019 (audited)

Director	Salary and fees £'000	Benefits[1] £'000	Annual bonus £'000	Long Term Incentive Plan[2] £'000	Pension £'000	Other	Total £'000
Gary Elden*	**151.0**	**8.0**	**96.4**	**449.5**	**22.7**		**727.6**
Mark Dorman*	**335.5**	**14.7**	**238.2**	_	**17.8**	**36.7[1]**	**642.9**
Alex Smith	**350.1**	**27.0**	**232.0**	**353.1**	**51.2**		**1,013.4**
Justin Hughes*	**149.7**	**9.8**	**93.8**	**272.0**	**21.9**	**47.9[1]**	**595.1**
Anne Fahy	**58.0**	**–**	**–**	**–**	**–**		**58.0**
Denise Collis	**70.5**	**–**	**–**	**–**	**–**		**70.5**
James Bilefield	**150.0**	**–**	**–**	**–**	**–**		**150.0**
Barrie Brien	**48.0**	**–**	**–**	**–**	**–**		**48.0**
Aggregate emoluments	**1,312.8**	**59.5**	**660.4**	**1,074.6**	**113.6**	**84.6**	**3,305.5**

2018 Director	Salary and fees £'000	Benefits[1] £'000	Annual bonus £'000	Long Term Incentive Plan[3] £'000	Pension £'000	Total £'000
Gary Elden	453.1	15.8	399.1	128.0	68.0	1,064.0
Alex Smith	341.6	20.3	303.0	97.0	51.2	813.1
Justin Hughes	292.1	15.1	259.1	55.0	43.8	665.1
Anne Fahy	52.0	–	–	–	–	52.0
Denise Collis	52.0	–	–	–	–	52.0
James Bilefield	104.4	–	–	–	–	104.4
Barrie Brien	45.0	–	–	–	–	45.0
Aggregate emoluments	1,397.4	51.2	961.2	280.0	163.0	2,852.8

* Pro-rated due to appointment or departure in year.

Notes:

1 Benefits comprise car allowance, medical cover and life/income protection insurance, as well as payments to cover housing or other related costs when transferred overseas. The pension contribution equates to 15% of salary historically. As agreed on his appointment, Mark Dorman is entitled to up to £60k in relocation/other costs in relation to his relocation from the US. In 2019, £37k was incurred, which related to rent, legal and school fees. Justin Hughes' relocation costs of £47.9k are in relation to his return to the UK.

2 2019 LTIP awards relate to those granted in early 2017 and vesting in early 2020, based on performance assessed over 2017 to 2019, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 341.0p, being the share price on 29 November 2019, the last dealing day of the year. As the market price at grant was 312.0p, some of the value has arisen from the share price increasing.

3 2018 LTIP awards relate to those granted in early 2016, vested in early 2019, based on performance assessed over 2016 to 2018, also including the value of any related dividends accrued during the vesting period on vested awards. The benefit value has been calculated using a share price of 286.5p, being the share price on 30 November 2018, the last dealing day of the year. As the market price at grant was 297.0p, none of the value has arisen from the share price increasing.

1.2 Annual bonus payable for 2019 performance

Mark Dorman

Measures	Weighting	Actual performance against target				Threshold	Target	Max	Actual performance	Achievement %	Pay-out £'000
		Below	Threshold	Target	Max						
Group financial target											
PBT	29.25%					£54.0m	£59.3m	£62.0m	£59.1m	48.9%	£61.1
Operating conversion ratio	19.50%					17.0%	17.4%	18.0%	17.5%	58.3%	£48.6
Cash conversion ratio	16.25%					79.0%	87.0%	91.0%	84.0%	38.8%	£26.9
Shared strategic objectives											
See section 1.3	25.0%								16.3%	65.0%	£69.5
Personal objectives											
See section 1.4	10.0%								7.5%	75.0%	£32.1
	100.0%									55.7%	£238.2

Alex Smith

Measures	Weighting	Actual performance against target				Threshold	Target	Max	Actual performance	Achievement %	Pay-out £'000
		Below	Threshold	Target	Max						
Group financial target											
PBT	29.25%					£54.0m	£59.3m	£62.0m	£59.1m	48.9%	£60.1
Operating conversion ratio	19.50%					17.0%	17.4%	18.0%	17.5%	58.3%	£47.8
Cash conversion ratio	16.25%					79.0%	87.0%	91.0%	84.0%	38.8%	£26.5
Shared strategic objectives											
See section 1.3	25.0%								16.3%	65.0%	£68.3
Personal objectives											
See section 1.4	10.0%								7.0%	70.0%	£29.3
	100.0%									55.2%	£232.0

Gary Elden

Measures	Weighting	Actual performance against target				Threshold	Target	Max	Actual performance	Achievement %	Pay-out £'000
		Below	Threshold	Target	Max						
Group financial target											
PBT	29.25%					£54.0m	£59.3m	£62.0m	£59.1m	48.9%	£25.9
Operating conversion ratio	19.50%					17.0%	17.4%	18.0%	17.5%	58.3%	£20.6
Cash conversion ratio	16.25%					79.0%	87.0%	91.0%	84.0%	38.8%	£11.4
Shared strategic objectives											
See section 1.3	25.0%								16.3%	65.0%	£29.4
Personal objectives											
See section 1.4	10.0%								5.0%	50.0%	£9.1
	100.0%									53.2%	£96.4

Justin Hughes

Measures	Weighting	Actual performance against target				Threshold	Target	Max	Actual performance	Achievement %	Pay-out £'000
		Below	Threshold	Target	Max						
Group financial target											
PBT	29.25%					£54.0m	£59.3m	£62.0m	£59.1m	48.9%	£25.7
Operating conversion ratio	19.50%					17.0%	17.4%	18.0%	17.5%	58.3%	£20.4
Cash conversion ratio	16.25%					79.0%	87.0%	91.0%	84.0%	38.8%	£11.3
Shared strategic objectives											
See section 1.3	25.0%								16.3%	65.0%	£29.2
Personal objectives											
See section 1.4	10.0%								4.0%	40.0%	£7.2
	100.0%									52.2%	£93.8

1.3 Shared strategic objectives for 2019 performance

Strategic measure and targets	Assessment of performance by the Committee	Overall result in judgement of the Committee (as % of maximum opportunity)
Scalable global operating model for ECM		
Creation of a scalable, efficient and highly effective Employed Contractor Model ('ECM') solution across our principle geographies, delivering substantial improvements to our post-sales service to contractors.	Overall, the project has been delivered to, and in a number of instances has exceeded, plan. Payroll metrics achieved in full against Hackett benchmarking, with payroll accounting and baseline metrics making good progress towards best-in-class operations. Successful enhancements made to compliance and controls. Following the outcome from the strategy implementation review, one target has necessarily been postponed to 2020.	45%
Purpose and Operating Principles		
Embed our purpose and Operating Principles across the Group, covering both existing staff and new hires inducted into the organisation. Achievement to be qualitatively evaluated as well as by reference to employee net promoter score ('eNPS' score) targets: 1. Maintain the robust 2018 sales eNPS score of 34 2. Improve the support eNPS score from -3 to +2	Overall, the project has been successfully delivered with our purpose and Principles becoming embedded in the business and informing our ways of working and our interactions with stakeholders. Key achievements include the development of an agreed methodology and action plan roll-out (including all internal communications, leader briefings, new training materials and online workshops). Improvement in eNPS achieved as follows: – Sales 45.4 v 34 in 2018; and – Global Support +3 v -3 in 2018. More detail is provided on purpose and Operating Principles throughout the 2019 Annual Report.	75%

Strategic measure and targets	Assessment of performance by the Committee	Overall result in judgement of the Committee (as % of maximum opportunity)
Highgrove (CoE) stabilisation/get better phase		
Complete the stabilisation phase of the project, and finalise/roll-out plans for phases 2 and 3, delivering agreed KPIs: 1. Order-to-Bill Workflow – process mapped, pain points and issues documented and addressed, quick wins and tactical IT solutions implemented. 2. Cost savings of £5.5 million maintained. 3. Helpdesk – all tickets responded within 48 hours. 4. Working Capital – improvement of three debtor days year on year, reduction in overdue percentages by 5%-7.5% year on year, implemented standard terms and payment practices for AP trade and AP non-trade. 5. Implemented 90-day cash flow model.	1. Process mapped and quick wins implemented. Tactical IT solutions identified and introduced. Significant improvements to workflow. Audited IT control improvements. 2. Achieved. 3. Significant improvement with partial achievement of target. 4. Debtor days and overdue percentages at a Group level have remained consistent year on year, with critical vendor review conducted and short-term cash flow model now in place.	50%
Transition and transformation of the business		
This is an additional strategic objective, introduced following the appointment of the new CEO, and focused on: – the achievement of a smooth transition from the change of leader; – an intense focus on the delivery of business performance through a period of change and uncertainty; – the review and evolution of current strategy; – the commencement of the roll-out of an underpinning operating model and operational infrastructure.	– The transition to a new CEO has been smoothly achieved. – A record year in terms of profit and performance, in a market environment where three competitor organisations issued profit warnings. – A highly successful Capital Markets Day on the 21 November, as evidenced by the movement in the share price (290p – 20 November, 339p – 26 November, 379p – 31 December). – Re-modelling of the Senior Executive Team, including a new Chief People Officer and a new Chief Strategy and Development Officer.	90%
Total/average pay-out		65%

1.4 Personal objectives for 2019 performance

Personal targets – delivery against agreed objectives as follows:

Director	Personal objective	Assessment of performance by Committee	Overall result in judgement of the Committee (as % of maximum opportunity)
Mark Dorman	Group strategy Refine the Group strategy, develop a rigorous, multi-year operational implementation plan, and deliver against defined performance metrics and timelines for 2019.	– Clear ambition for the Group articulated, under-pinned by a 3 to 5-year strategic direction. Full Board endorsement at annual Strategy Day. – Business priorities simplified, coded and cascaded to the organisation. – Strategic programme of work developed to drive operational plans, resource allocation and capability requirements. – Significant knowledge transfer of strategic planning to the management team. – Successful first Capital Markets Day.	75%
	Senior Executive Team ('SET') Review the SET and SET-1 organisational structure, and implement changes to align with the strategy and operational implementation plan.	– New Senior Executive Team structure developed. – Critical capability gaps identified and new members of the Senior Executive Team recruited and inducted. – Full organisational capability and capacity review conducted covering the most senior 130 roles. – Two new organisational constructs created, 'Top 20' and the Extended Leadership Team ('ELT'), with improvements delivered in inclusion and decision making. – Improved ways of working introduced resulting in enhanced global collaboration.	
	People strategy Develop and commence implementation of a People Strategy Plan.	– People priorities identified and Plan endorsed by the Board. – Good progress made against agreed deliverables, including a new approach to employee engagement, introduction of a talent development framework, and development of a new reward and recognition strategy. – People team strengthened.	

Director	Personal objective	Assessment of performance by Committee	Overall result in judgement of the Committee (as % of maximum opportunity)
Alex Smith	Strategic planning Deliver an effective, rigorous and analysis-based strategic planning process for 2019 that demonstrates a step change improvement from 2018 and delivers quality outputs that shape both short-term and long-term business goals and objectives.	– Board endorsement of step change improvement in the Strategy planning process over prior year. – Positive feedback received on the adoption of a more inclusive approach. – Successful introduction and application of a 'managing for value' methodology to the evaluation of priorities. – Positive engagement with investors on the updated plan as part of the Capital Markets Day.	70%
	Investor relations Drive a more proactive investor relations strategy, effectively communicating the investment case, business model, and the strategy and governance framework. Reduce the main negative impacts of MiFID II and take advantage of new investor engagement opportunities.	– Significant improvement achieved in investor engagement pre- and post-trading updates. – Developed and delivered a clearer investment case for holders and non-holders. – Conducted a more effective outreach to analysts to encourage greater coverage post-MiFID II, resulting in both HSBC and Investec initiating coverage in 2019. – Improved design of the Capital Markets Day. – Effective support of new plc CEO on capital markets outreach. – Successful broker and advisor review with new brokers installed.	
Justin Hughes	Succession planning Define the senior succession pipeline and organisational structure for operations globally, with clear roles and responsibilities aligned to the strategic direction. Identify development gaps and progression opportunities across the Group.	– Partial development of a high level global operations plan delivered prior to date of leaving.	40%
	Global IT strategy Develop a clear, global IT strategy with supporting roll-out plan and initiation within 2019. Outputs to allow for a clear pathway into the development of 2020 objectives and deliverables.	– High level IT strategy document developed and delivered prior to date of leaving.	
Gary Elden	CEO transition Enable the induction of the new CEO and provide an effective handover. Actively facilitate the leadership transition through engagement with employees and other key stakeholders.	– Provided an effective handover to the new CEO, and supported the transition.	50%

1.5 LTIP awards vested by reference to performance over the three years to 2019 (audited)

Earnings Per Share ('EPS') for one third of the award:

EPS	Pay-out range	Actual performance	Vesting level	Vesting % of total LTIP award
Between 25.0p and 32.0p per share	30% – 100%	33.2p	100%	33.3%

Total Shareholder Return ('TSR') for one third of the award:

TSR – Rank of the Company compared to the peer group	Pay-out range	Actual performance	Vesting level	Vesting % of total LTIP award
TSR performance between the median and upper quartile	25% – 100%	61st percentile	55%	18.3%

Strategic objectives for one third of the award

Measure	Target	Performance	Vesting % of total LTIP award
Customer (one third)	Revenue generation between £10 million to £15 million from new product lines	£25.1 million	3.7% out of 3.7%
	Improvement of customer NPS (interview and post placement) of 6-10 points over two years[1]	3 point improvement in interview NPS	0% out of 3.7%
		19 point improvement In placement NPS	3.7% out of 3.7%
Employee (one third)	Staff engagement improvement 3-5 point improvement	13 point growth in sales function	2.2% out of 2.2%
		-1.4 point growth in support function	0% out of 2.2%
	Sales churn 37%-35%	39.5%	0 out of 2.2%
	Sales level 3-4 Diversity and Inclusion gender representation targets must improve:		
	Level 3 from 26% to 30% Level 4 from 15% to 20%	Level 3: 30.5% Level 4: 10.5%	2.2% out of 2.2% 0% out of 2.2%
Relative gross profit (one third)[2]	Percentage net fees growth over three years against the same peer group as used for TSR	To be assessed once results of gross profit performance measure are known with full disclosure in 2020 DRR	Estimated at 8.325% out of 11.1%
Total			20.2% out of 33.3%

1 Derived from a baseline of the first year NPS.

2 As the majority of our peers have a 31 December year end, the result is not yet known. Consequently, payment, if any, will be held back until the vesting result is known.

Number of shares granted vs vested vs lapsed based on assessment versus targets for LTIP award granted in 2017 (excluding remaining shared strategic objective)

Executive Director	Number of shares granted	Number of shares vested	Number of shares lapsed	Value of share based on grant price £	Value of shares attributable to share price growth £	Dividend equivalent additional shares	Total £'000[1]
Gary Elden	212,500	115,128	97,372[2]	359,199	33,888	16,700	449,534
Alex Smith, CFO	160,216	90,436	69,780	282,160	26,226	13,118	353,119
Justin Hughes	159,519	69,657	89,862	217,330	20,201	10,104	271,985

1 Based on share price of 341.0p on 29 November 2019.

2 Of this lapsed amount, 8,539 shares lapsed as Gary Elden ceased employment prior to the vesting date.

Section 2 – How we will apply our remuneration policy in 2020

2.1 Base salary
2.2 Benefits and pension
2.3 2020 annual bonus including financial, strategic and personal measures
2.4 Long Term Incentive Plan awards
2.5 Non-Executive Directors ('NEDs')
2.6 Payments to former Directors

2.1 Base salary
The table below illustrates the most recent base salary changes (effective for 2020). The average budgeted salary increase for employees generally is 2.5%.

Executive Director	Base salary 2019 £'000	Increase (from 1 Dec 2019) £'000	Base salary 2020 £'000
Mark Dorman, CEO	475.0	1.9%[1]	483.9
Alex Smith, CFO	350.1	2.5%	358.8

1 Pro-rated for time in role.

2.2 Benefits and pension
There are no changes to benefits. The CEO will receive a pension contribution of 5% of salary. The CFO will receive a capped pension contribution of £51,237. The majority of UK employees receive a pension contribution of 4% of salary.

2.3 2020 annual bonus, including financial, strategic and personal measures

The maximum annual bonus remains capped at 120% of base salary. One third of bonus is deferred in shares for two years. The bonus metrics and weightings for the 2020 annual bonus are summarised in the table below. Where they are considered to be commercially sensitive, the target ranges for each metric will be disclosed retrospectively in the following year's Directors' remuneration report.

Metric	Weighting	Measure	Sub-weighting	Link to strategy/notes
Group financial targets	80%			These are considered by the Committee to be the four most relevant financial KPIs for bonus purposes.
		– Adjusted operating profit	50%	Operating profit is the key underlying measure of profitability used within the business.
		– Free cash flow conversion ratio	20%	Free cash flow conversion ratio indicates how efficient the business is in terms of controlling costs and improving consultant productivity, turning profit into cash or collecting cash. As such, it is a key strategic measure.
		– Group revenue	5%	Revenue is a headline measure of income generation, used to assess the underlying financial performance delivered by management.
		– Net fees	5%	Revenue less cost of sales. A broad indicator of the trading.
Shared strategic objectives	10%	– Improvement to the customer net promoter score ('NPS')	5%	NPS has been used in SThree for several years and has become a key measure of the customer experience which includes candidate and client surveys introduced to capture regular feedback from customers about their experiences of working with SThree.
		– Improvement to the employee net promoter score ('eNPS')	5%	SThree have been monitoring employee engagement for several years and in 2017 introduced the current way of working focusing on eNPS as a means of evaluating our performance. This approach is now well embedded into the organisation. Our leadership team are committed to listening to all our people and will continue to use their feedback to inform our people strategy.
Personal objectives	10%		10%	Delivery versus agreed objectives to produce value or efficiency gains.
Total	100%		100%	

2.4 Long Term Incentive Plan awards

The LTIP awards to be granted in early 2020, will be granted over shares worth 150% of salary. Awards will vest on the third anniversary of grant, with a further two-year holding period on vested shares. Performance conditions will be based on EPS, TSR and strategic metrics, each applied independently and there will be a straight-line sliding scale between points. For comparison, LTIP targets are summarised in the following table, for awards made in 2018, 2019 and 2020:

LTIP weighting	EPS	TSR	Strategic
2018-2020	50%	30%	20%
2019-2021	50%	30%	20%
2020-2022	50%	30%	20%

LTIP targets	EPS	TSR	Strategic
2018-20	Between 30.0p (25% vesting) and 41.0p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	New product net fees between £11 million and £17 million/OP conversion between 17.3% and 21.1% (split equally)
2019-21	Between 35.5p (25% vesting) and 46.0p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	See notes under section 3.1
2020-22	Between 38.6p (25% vesting) and 46.9p (100% vesting)	Between median (25% vesting) and UQ (100% vesting)	Adjusted operating profit conversion ratio between 18.5% (25% vesting) & 22.0% (100% vesting)

Notes:

1 Composition of the TSR comparator groups and prior-year strategic targets for each LTIP award are shown under the table in section 3.1. For TSR the participant group approved for the 2019 grant has remained unchanged for subsequent grants.

Shareholding requirement
The minimum shareholding requirement is 200% of base salary and to the extent that there is any shortfall against this threshold, no less than 50% of any deferred bonus or vested LTIP award must be retained (after selling sufficient shares to pay tax).

2.5 Non-Executive Directors ('NEDs')

Following a detailed review and increase of fee levels in December 2018, NED base fees will remain the same for 2020:

Role	2019 annual fee £'000	2020 annual fee £'000
Chair	150	150
NED base fee (x 3 NEDs)	48	48
Committee Chair (Audit and Remuneration)	10	10
SID	7.5	7.5
Employee engagement NED	5	5
Total (Articles of Association limit is £500k per annum)	326.5	326.5

2.6 Payments to former Directors

Gary Elden

Gary Elden stepped down from the Board as CEO on 18 March 2019 and remained with the Company until 24 April 2019 to ensure a smooth handover to his successor. Gary's notice period commenced on 18 December 2018 when the Company announced that he was stepping down. After ceasing active employment he was placed on garden leave for the remainder of his contractual notice period and continued to be paid his base salary, benefits and pension equivalent monthly, in the absence of any outside earnings during the period.

The Committee determined that Gary is a 'good leaver' for the purpose of incentive plan awards. On this basis he received an annual bonus in respect of 2019, pro-rated for active service, as set out In the Directors' emoluments table. For outstanding 2017, 2018 and 2019 LTIP awards, the performance conditions attached to these awards will be measured over the original performance periods and awards have been scaled back pro-rata for the proportion of the vesting period completed.

Justin Hughes

As announced on 1 July 2019 Justin Hughes stepped down from the Board as COO on that date. He was served a 12-months' notice by the Company and following a short handover period was placed on garden leave for the remainder of his contractual notice period. During this period he continued to be paid his base salary, benefits and pension equivalent monthly, subject to these payments being offset against outside earnings during the period.

The treatment of Justin's outstanding incentive plan awards is the same as for Gary Elden, except for the two-year vesting period that will continue to be applied for Justin, reflecting our policy at his date of leaving.

The payments made for the remainder of the financial year from the time that Gary Elden and Justin Hughes stepped down from the Board comprise:

Director	Salary and fees £'000	Benefits £'000	Annual bonus £'000	Long Term Incentive Plan £'000	Pension £'000	Total £'000
Gary Elden	302.1	16.1	–	–	45.3	363.5
Justin Hughes	149.7	9.8	–	–	21.9	181.4

Section 3 – Directors' interests in shares and broader context for Directors' pay
3.1 Outstanding share awards held by Directors under LTIP, deferred bonus and SAYE
3.2 Statement of Directors' shareholdings
3.3 Total Shareholder Return ('TSR') performance of SThree over the last ten-year period
3.4 Historical levels of CEO remuneration and incentive plan pay-outs
3.5 Year-on-year percentage change in CEO remuneration compared to employees
3.6 Comparison of CEO remuneration to workforce remuneration by quartiles
3.7 Relative importance of spend on all employees' pay compared to dividend payments

3.1 Outstanding share awards

Awards outstanding (including those granted in the year), comprising LTIP, SAYE and deferred share awards (audited)

Executive Directors' awards outstanding under the LTIP are set out in the table below. Awards are currently structured as conditional awards of shares, with no exercise price. Earlier awards were granted either as nil-cost options, save for a notional £1 sum payable on vesting, exercisable between three and ten years from grant.

Executive Director	Dates of LTIP grant/ award	Market price at grant/ award	Shares originally awarded	Face value £	Shares vested (incl. rolled-up dividend shares)	Vesting date	Gain on exercise £	Remaining unexercised and unvested at 30 Nov 2019 (incl. rolled-up dividend shares)
Mark Dorman	30/01/2019	274.00	248,258	680,227	–	30/01/2022	–	248,258
Alex Smith	11/02/2010	299.40	117,935	353,097	160,570	10/02/2013	333,323.00	66,808
	01/02/2011	371.30	104,511	388,049	40,110	01/02/2014	Not exercised	38,165
	17/02/2015	324.00	146,631	475,084	67,725	17/02/2018	228,910.50	–
	27/01/2016	297.00	164,141	487,499	29,545	27/01/2019	92,328.30	–
	26/01/2017	312.00	160,216	499,874	–	26/01/2020	–	160,216
	02/02/2018	357.00	143,521	512,370	–	02/02/2021	–	143,521
	30/01/2019	274.00	191,672	525,181	–	30/01/2022	–	191,672
Deferred bonus	22/02/2016	295.00	12,131	35,786	6,331	22/02/2016	21,557.05	–
SAYE	20/09/2016	196.40	9,164	23,116	–	01/12/2019	–	9,164
Gary Elden	04/02/2014	364	165,535	602,547	93,371	04/02/2017	Not exercised	100,291
	17/02/2015	324	190,621	617,612	88,042	17/02/2018	Not exercised	90,527
	27/01/2016	297	217,677	646,501	44,684	27/01/2019	122,443.10	–
	26/01/2017	312	212,500	663,000	–	26/01/2020	–	212,500
	02/02/2018	357	190,366	679,607	–	02/02/2021	–	190,366
Deferred bonus	22/02/2016	295	15,770	46,522	8,230	22/02/2016	28,667.56	–
Justin Hughes	01/02/2011	371.3	45,005	167,104	13,557	01/02/2014	Not exercised	16,435
	08/02/2013	331.5	114,027	378,000	66,347	08/02/2016	Not exercised	74,373
	04/02/2014	364	106,961	389,338	40,222	04/02/2017	Not exercised	43,203
	17/02/2015	324	123,170	399,071	37,926	17/02/2018	131,792.85	–
	27/01/2016	297	140,404	417,000	19,212	27/01/2019	52,644.72	–
	26/01/2017	312	159,519	497,699	–	26/01/2020	–	159,519
	02/02/2018	357	122,742	438,189	–	02/02/2021	–	122,742
SAYE	20/09/2017	256.6	7,014	17,998	–	01/12/2020	–	7,014

Notes:

1 The TSR comparator group for the 2020 LTIP awards will be: Adecco, Amadeus Fire, Brunel, Empresaria, Groupe Crit, Hays, Impellam, Kelly Services, Kforce, Korn Ferry, ManPower, Gattaca, Page Group, On Assignment, Randstad, Robert Half, Robert Walters and Staffline. This was also the comparator group used for awards in 2019. For awards in 2018, the comparator group also included Harvey Nash. For awards made in 2017, the comparator group comprised mid/large cap global listed recruiters or other business services/benchmark comparator companies, having a high historical cyclicality correlation coefficient with SThree, being: Adecco, Amadeus Fire, Bovis Homes Group, Brunel International, Carillion, Dice Holdings, Electrocomponents, Exova Group, Galliford Try, Grafton Group UTS, Groupe Crit, Harvey Nash Group, Hays, Hogg Robinson Group, Impellam Group, Insperity, Kelly Services, Kforce, Korn Ferry International, Manpower Group, Matchtech Group, Page Group, Morgan Advanced Material, On Assignment, Premier Farnell, Ranstad Holding, Regus, Restaurant Group, Robert Half International, Robert Walters, Savills, Shaftesbury, Staffline Group, Sythomer, Telecity Group, Trueblue, USG People, Wetherspoon (JD).

2 For the 2017 LTIP award, strategic targets were split equally as below. Where sliding scales operate there is 25% vesting at the threshold for payment:
Customer:
Revenue generation of between £10 million and £15 million from new product lines by 2019.
Broad NPS metric showing improvement of 3 to 5 basis points p.a. in years 2-3 from a baseline derived from the first year actual NPS. This differs from the annual bonus NPS metric which is based on specific areas of the business that require focus.

Employee:
The employee metric will be split equally so that for one third, Staff Engagement growth must be 3 to 5 basis points p.a. over three years. For one third sales churn must be 37%-35% by 2019 (compared to 38% in 2016). For the final one third, Sales Level 3-4 Diversity & Inclusion gender representation targets must improve over the same period. Level 3 representation to increase from 26% to 30%–32% and Level 4 representation to increase from 15%–20%.

Relative net fees:
The relative net fees will be compared to the same group as used for the TSR metric with the same medium-to-upper quartile sliding scale. Net fees will be compared based on percentage net fees growth over a three-year performance period with adjustments made as necessary to ensure like-for-like comparison across the companies. Adding a relative net fees measure will provide a good balance to the non-financial strategic metrics, by focusing on growing our net fees at a faster rate than our competitors.

3 For the 2018 LTIP awards, the 20% of the award based on strategic targets is split between two targets equally: new product net fees between £11 million and £17 million/operating profit conversion ratio between 17.3% and 21.1%. Where sliding scales operate, 25% of the award will vest at threshold.

4 For the 2019 LTIP award, the 20% of the award based on strategic targets is split between two targets equally, set out as (i) and (ii) below. Where sliding scales operate, 25% of the award will vest at threshold:
(i) Improving the level of churn in the sales teams (10% of LTIP award)
Turnover of staff (churn) in members of the sales team with 12-24 months experience was 49% in 2018. The Board has identified churn reduction as a strategic priority.

This measure formed part of the 2018 annual bonus, resulting in a major underperformance against the threshold target, despite substantive management efforts. A detailed follow-up review has highlighted the full complexity of factors that cause churn within this particular group. These include the ongoing appropriateness of the traditional target demographic for entry level hiring, the evolving competencies required for success, and the vulnerability of SThree trained individuals to competitor approaches, particularly from those smaller businesses, with a lower cost base, who can offer substantially higher financial rewards. Addressing churn at this level will require a longer-term, multi-dimensional approach to retention incorporating recruitment, talent management, career progression, employee engagement and reward.

Improved retention of the SL1 12-24 month cohort will also directly impact retention across all levels of our salesforce, reflecting the marked difference in average length of service once the 24-month time horizon has been passed.

From a 2018 base line of 49% the target range, to be assessed in 2021, will be as follows:

	Level of sales team churn in 2021
Threshold (25% vesting)	42%
Maximum	40%

(ii) Improving our long-term operating profit conversion ratio (10% of LTIP award)
As part of the Capital Markets Day long-term strategy to grow our PBT by 2022, the Board has identified that improving our operating profit conversion ratio from the current level of 16.8% is a critical step to achieving this goal. We already have an element of the annual bonus given over to this measure to ensure near-term, tactical focus each year. In addition, and in order to encourage initiatives of a more strategic, longer-term nature, the Board feel that it is appropriate that this measure be additionally included in the LTIP.

	Level of operating profit conversion ratio in 2021
Threshold (25% vesting)	18%
Maximum	22%

5 For options which have vested but remain unexercised, dividends are accrued as additional shares, as shown in the final column above.

3.2 Statement of Directors' shareholdings (audited)

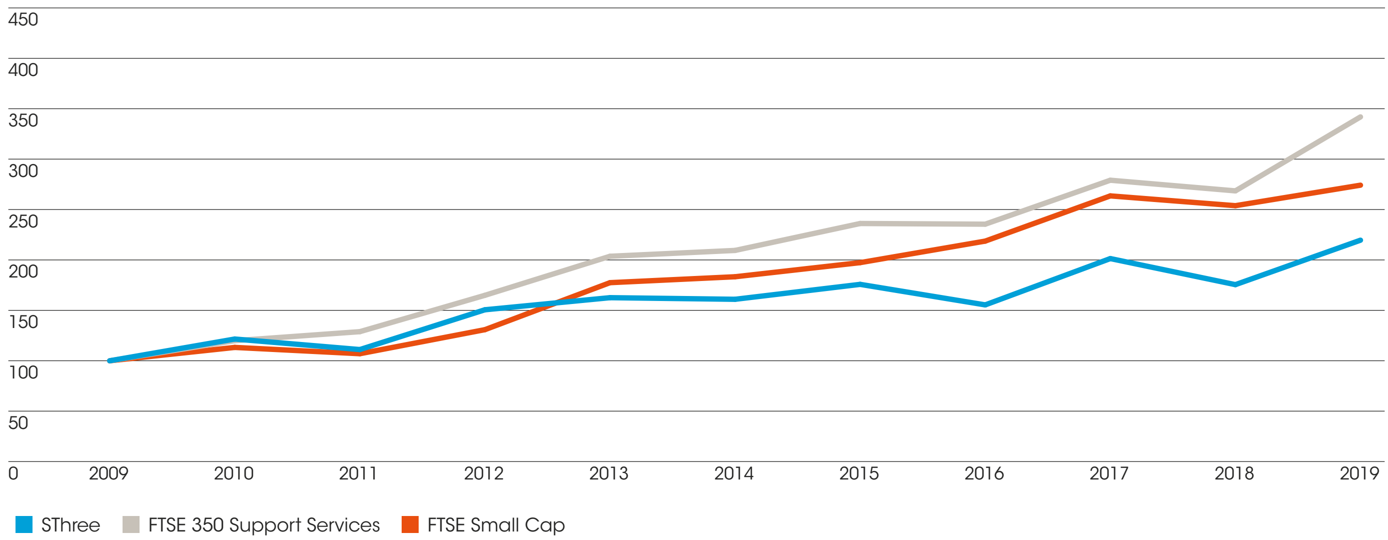
Under the remuneration policy Executive Directors must build and maintain a level of shares equivalent to at least 200% of base salary. Directors' interests in the ordinary share capital of the Company as at the year end, are shown in the table below, including any changes since the start of the year. There have been no changes since the year end and no Director had any other interest in the share capital of the Company or its subsidiaries, or exercised any option during the year, other than as disclosed.

Executive Director	Ordinary shares held at 1 December 2018	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 30 November 2019	Indirect interest	Shareholding requirement (% of salary)	Shareholding (% of 2019 salary)
Mark Dorman	–	4,150	–	4,150	248,258	200%	3.1%
Gary Elden*	2,176,675	24,517	–	2,201,192	593,684	–	–
Alex Smith	349,421	19,113	–	368,527	609,546	200%	476%
Justin Hughes*	197,688	14,976	–	212,664	423,286	–	–
James Bilefield	10,000	–	–	10,000	–	–	–
Anne Fahy	4,000	–	–	4,000	–	–	–
Denise Collis	5,000	–	–	5,000	–	–	–
Barrie Brien	–	–	–	–	–	–	–

* As at date of leaving.

3.3 Total Shareholder Return ('TSR') performance of SThree over the last ten-year period

The following graph shows the TSR of the Company, compared to the FTSE 350 Support Services and FTSE Small Cap indices. These are considered the most illustrative comparators for investors as the Company is or has been a constituent in the past.



3.4 Historical levels of CEO remuneration and incentive plan pay-outs

The table below shows historical levels of CEO total remuneration over a ten-year period, as well as annual bonus and LTIP vesting percentages over the same period. The Group has delivered a TSR of just over 100% over this ten-year period.

Year	CEO	CEO total remuneration £'000	Annual bonus (% of maximum)	LTIP awards vesting (% of maximum)
2019	Mark Dorman*	642.9	55.7%	–
2018	Gary Elden	1,064.0	73.4%	18.8%
2017	Gary Elden	1,228.9	76.2%	41.0%
2016	Gary Elden	1,058.5	56.4%	50.0%
2015	Gary Elden	1,284.9	92.8%	50.0%
2014	Gary Elden	852.2	54.6%	18.5%
2013	Gary Elden	752.8	44.3%	25.5%
2012	Russell Clements	1,295.0	77.4%	88.0%
2011	Russell Clements	1,264.9	56.0%	100.0%
2010	Russell Clements	1,284.2	94.4%	100.0%

* Mark Dorman was appointed during the year.

3.5 Year-on-year percentage change in CEO remuneration compared to employees

The table below shows the percentage increase for each element of remuneration between the current and previous financial periods for the CEO, compared with all Group employees.

	Percentage change 2018-2019	
Remuneration element	CEO	Average for all employees
Salary and fees	4.8%	6.3%
Other benefits[1]	(48.5%)	1.1%
Annual bonus	(20.4%)	(7.4%)

1 Includes salary supplement of 5% in lieu of pension. Relocation costs have been excluded.

3.6 Comparison of CEO remuneration to workforce remuneration by quartiles

The Committee has decided to use Option B in the relevant regulations to calculate the Chief Executive Officer pay ratio, using 2019 gender pay gap information to identify the three UK employees as the best equivalents of P25, P50 and P75, calculated based on full-time equivalent base pay data as at April 2019. This methodology was selected as the Committee believes this provides a more accurate and consistent calculation based on the information available at this time. The Committee will monitor investor guidance and evolving best practice which may move in favour of using Option A to calculate the ratios and will review its approach next year (restating any prior year figures, as appropriate).

The following table sets out the CEO pay ratio at the median, 25th and 75th percentile.

Financial year	Method	25th percentile pay ratio	Median	75th percentile pay ratio
2019	Option B	34.1	26.1	16.1
2018	Option B	39.1	24.1	20.1

Note:
The three employees in the table above are all full-time, pay data has been reviewed and the Committee is satisfied that it fairly reflects the relevant quartiles.

The three employees used for comparison are shown below:

	Employees Total remuneration (£)	% Change
Q 25 pay	24,495	(11%)
Q 50 pay	32,021	(29%)
Q 75 pay	50,653	(5%)

Change from the prior year shows a slight increase to the median pay ratio, while the ratio to the 25th and 75th paid employees has reduced.

3.7 Relative importance of spend on all employees' pay compared to dividend payments

The table below sets out the change to the total employee remuneration costs compared with the change in dividends for 2018 compared to 2017. All figures are taken from the relevant sections of the Annual Report.

Item	2019	2018	Change
Dividends	£18.8m	£18.0m	4.4%
Remuneration paid to employees (incl. Directors)	£214.3m	£206.7m	3.7%*

* The change reflects an additional investment in headcount year on year, with a % increase in total costs (i.e. salaries, commission and bonuses), in line with the year-on-year increase in net fees.

Section 4 – Governance
4.1 The Committee and its advisors
4.2 Statements of voting at most recent AGMs
4.3 Approval

4.1 The Committee and its advisors

The Committee's Terms of Reference (available at www.sthree.com) are reviewed periodically to align as closely as possible with the UK Corporate Governance Code ('Code') and CGI best practice guidelines. During the year, the Committee comprised only independent NEDs, being Denise Collis, Chair, James Bilefield, Barrie Brien and Anne Fahy. The Committee therefore meets Code requirements to comprise at least three independent NEDs.

The Chief Executive Officer, Chief Financial Officer and the most senior HR representative attend meetings by invitation, excluding matters related to their own remuneration. The Committee met four times during the year for routine business, in addition to unscheduled meetings for specific items and no member of the Committee has any personal financial interest (other than as a shareholder) in the matters decided.

The Committee appointed Korn Ferry as its independent remuneration advisor in 2016, following a comprehensive review. Fees paid to Korn Ferry for advice in relation to remuneration matters during the year were £64,971 (2018: £35,742), both excluding VAT. Korn Ferry are members of the Remuneration Consultants Group ('RCG') and comply with the RCG Code of Conduct. The Committee are satisfied that their advice was and is objective and independent.

4.2 Statements of voting at most recent AGMs

At the AGMs held on 24 April 2019 and 20 April 2017, the following votes were cast in relation to the advisory vote on the Annual report on remuneration and the binding vote on the remuneration policy respectively.

Resolution	For	%	Against	%	Withheld
Directors' remuneration report (2019 AGM)	97,348,697	99.84	96,650	0.1	2,962,273
Directors' remuneration policy (2017 AGM)	89,014,652	95.40	4,288,168	4.60	106

* Votes withheld are not counted in the % shown above.

4.3 Approval

This report was approved by the Board of Directors on the date shown below and signed on its behalf by:

Denise Collis
Chair of the Remuneration Committee
24 January 2020

Directors' report

The Directors present their Annual Report on the activities of the Company and the Group, together with the financial statements for the year ended 30 November 2019.

The Board confirms that these, taken as a whole, are fair, balanced and understandable and that the narrative sections of the report are consistent with the financial statements and accurately reflect the Group's strategy, performance and financial position. Our Compliance Statements and Corporate Governance Report section are presented separately and do not form part of the Directors' report.

The Strategic Report, including the Chief Executive Officer's and other Officers' sections of this Annual Report, provide information relating to the Group's activities, its business, governance and strategy and the principal risks and uncertainties faced by the business, including analysis using financial and other KPIs where necessary. These sections, together with the Compliance Statements, Corporate Governance section, Audit Committee, Nomination Committee, Directors' remuneration reports, provide an overview of the Group, including environmental and employee matters, and give an indication of future developments in the Group's business, so providing a balanced assessment of the Group's position and prospects, in accordance with the latest reporting requirements. The Group's subsidiary undertakings, including branches outside the UK, are disclosed in the notes to the financial statements.

The purpose of this Annual Report is to provide information to the members of the Company, as a body. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements with respect to the operations, performance and the financial position of the Company and the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated.

The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and nothing in this Annual Report should be construed as a profit forecast.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company and the Group, including those that would threaten the business model, future performance, solvency or liquidity, and explained how they are being managed or mitigated (see analysis of key risks, mitigation and impact on strategy within the Strategic Report). Information on the Company, including legal form, domicile and registered office address is included in note 1 to the financial statements.

Results, dividends, going concern and post reporting date events
Information in respect of the Group's results, dividends and other key financial information is contained within the Strategic Report and other Officers' sections of this Annual Report. A Going Concern and Viability Statements are included within the Compliance Statements section. No significant events have occurred since the year end.

Directors and their interests
The Directors of the Company, including their biographies, are shown within 'Our Board' section of this Annual Report, with further details of Board Committee membership being set out in 'Board and Committee structure' section.

All Directors served throughout the financial year, except as disclosed, and in accordance with the UK Corporate Governance Code, will retire at the 2020 AGM and submit themselves for election or re-election, as necessary, as set out in the Notice of Meeting.

Other than employment contracts, tracker share, and LTIP/JOP loans, none of the Directors had a material interest in any contract with the Company or its subsidiary undertakings. Key terms of the Directors' service contracts, interests in shares and options and tracker share loans are disclosed in the Directors' remuneration report.

Any related party interests applicable to the Directors is shown in the notes to the financial statements.

Essential contractors and implications following a change of control or takeover
The Group has business relationships with a number of clients and contractors but is not reliant on any single one. There are no significant agreements, which the Company is party to, that take effect, alter or terminate upon a change of control of the Company following a takeover offer, with the exception of the Citibank and HSBC revolving credit facility agreements.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Group's share plans and tracker share arrangements may cause options, awards or tracker shares to vest on a takeover.

Share capital and share rights
Details of the share capital of the Company, together with movements during the year are shown in the notes to the financial statements. The rights and obligations attached to the Company's ordinary shares are contained in the Articles.

Ordinary shares allow holders to receive dividends and to vote at general meetings of the Company. They also have the right to a return of capital on a winding-up.

There are no restrictions on the size of holding or the transfer of shares, which are both governed by the general provisions of the Company's Articles and legislation. Under the Articles, the Directors have the power to suspend voting rights and the right to receive dividends in respect of ordinary shares, as well as to refuse to register a transfer in circumstances where the holder of those shares fails to comply with a notice issued under Section 793 of the Companies Act 2006. The Directors also have the power to refuse to register any transfer of certificated shares that does not satisfy the conditions set out in the Articles.

The Company is not aware of any agreements between shareholders that might result in the restriction of transfer of voting rights in relation to the shares held by such shareholders.

Authority to issue or make purchases of own shares including as treasury shares and dilution
The Company is, until the date of the forthcoming AGM, generally and unconditionally authorised to issue and buy back a proportion of its own ordinary shares.

The Company's policy is to comply with investor guidelines on dilution limits for its share plans by using a mixture of market purchased and new issue shares.

Some 860,000 shares were purchased in the market during the year at a cost of £2.5 million. Purchases may be made for cancellation, to be held as treasury shares, or for the Employee Benefit Trust ('EBT'). The Directors will seek to renew the authority to purchase up to 10% of the Company's issued share capital at the next AGM.

Director's indemnities, Director's and Officers' insurance and conflicts of interest
The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association ('Articles'), and the Company has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force. The Board also confirms that there are appropriate procedures in place to ensure that its powers to authorise the Directors' conflicts of interest are operated effectively.

Listing Rules ('LR') requirement	Confirmation
A statement of interest capitalised by the Group during the period and an indication of the amount and treatment of any related tax relief.	Not applicable
Any information required by LR 9.2.18R (publication of unaudited financial information) regarding information in Class 1 circular or prospectus or a profit forecast and estimate.	Not applicable
Details of any long-term incentive schemes as required by LR 9.4.3R regarding information about the recruitment or retention of a Director.	See Directors' remuneration report (from page 128)
Details of the waiver of emoluments by a Director, both current and future.	Not applicable
Details of the allotment of equity securities to equity shareholders otherwise than in proportion to their holdings and which had not been specifically authorised by the shareholders. This information must also be given for any major unlisted subsidiary.	Not applicable
Where the Company is a listed subsidiary, details of any participation by its parent in any share placing during the period.	Not applicable
Details of any contract of significance between the Company or one of its subsidiaries and a Director or a controlling shareholder.	Not applicable
Details of contracts for the provision of services to the Company or one of its subsidiaries by a controlling shareholder during the period under review.	Not applicable
Details of any arrangements under which shareholders have waived or agreed to waive dividends.	Not applicable
A statement of the independence provisions and compliance, or not, where there is a controlling shareholder.	Not applicable

Related party transactions ('RPT')

Details of any RPT undertaken during the year are shown in the notes to the financial statements.

Financial instruments and research and development

Information and policy in respect of financial instruments is set out in the notes to the financial statements, together with information on price, credit and liquidity risks. The only expenditure incurred in the area of research and development relates to software and system development, which is shown in the notes to the financial statements.

Substantial shareholdings

As at the date of this report, the Group has been notified, in accordance with the Companies Act, of the significant interests in the ordinary share capital of the Company, shown below. No Director held over 3% of the Company's share capital.

Name of shareholder	Number of shares	Shareholding percentage
J O Hambro Capital Management Limited	13,130,330	9.93%
Legal & General Investment Management Limited	7,030,279	5.48%
HBOS plc	6,983,314	5.21%
Harris Associates L.P.	6,575,593	5.17%
AXA	6,291,253	5.12%
JP Morgan Chase	7,021,061	5.07%
BlackRock, Inc.	6,137,031	4.99%
FMR LLC	6,266,905	4.99%
FIL Limited (Fidelity)	6,028,475	4.95%
F & C Management	6,104,400	4.82%
Standard Life Investments Limited	5,845,830	4.78%
Allianz Global Investors GmbH	6,356,808	4.79%
Franklin Templeton Institutional, LLC	5,722,371	4.37%
William Frederick Bottriell	5,008,841	3.77%

Corporate and social responsibility, including diversity, human rights and environmental matters

The Board pays due regard to environmental, health and safety and employment responsibilities and devotes appropriate resources to monitoring compliance with and improving standards. The Chief Executive Officer has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources. Further information on diversity, human rights and environmental matters, including carbon dioxide emissions data, is contained in 'How we are building the future' section of this Annual Report, whilst information on employee share plans and share ownership is contained in the Directors' remuneration report and the notes to the financial statements.

Health, safety and equal opportunities

The Group is committed to providing for the health, safety and welfare of all current and potential employees. Every effort is made to ensure that country health, and safety legislation, regulations or similar codes of practice are complied with.

The Group is also committed to achieving equal opportunities and complying with anti-discrimination legislation and employees are encouraged to train and develop their careers. Group policy is to offer the opportunity to benefit from fair employment, without regard to gender, sexual orientation, marital status, race, religion or belief, age or disability, and full and fair consideration is given to the employment of disabled persons for all suitable jobs.

In the event of any employee becoming disabled, every effort is made to ensure that employment continues within the existing or a similar role, and it is the Group's policy to support disabled employees in all aspects of their training, development and promotion where it benefits both the employee and the Group.

Employee involvement

The Group systematically provides employees with information on matters of concern to them, consulting where appropriate by surveys or other means, so that views can be taken into account when making decisions likely to affect their interests. Employee involvement is encouraged, as is achieving a common awareness, on the part of all employees of the financial, economic or other factors affecting the Group. This plays a major role in ensuring shared success. The Group encourages this involvement predominantly by communicating via the Group's intranet articles or email updates, training and by participation in the Group's employee share plans to align interests.

Community

The Group is committed to providing support to the community and society through a number of charitable activities and donations, although no donations for political purposes of any kind were made during the year.

Annual General Meeting ('AGM')

The AGM of the Company will be held on 20 April 2020, at 75 King William Street, London, EC4N 7BE. A separate Notice details all business to be transacted.

Modern Slavery Act 2015: slavery and human trafficking statement

Organisation's structure

As an international STEM specialist recruitment company, we are committed to combating slavery and human trafficking. The Group makes appropriate supplier checks around governance and financial standing, and considers these adequate to protect against slavery and human trafficking within the Group's supply chain. This helps to ensure, as far as possible, that no element of the supply chain contrives human rights issues. As such, there are no such issues known to be impacting the Group's business and the Directors do not consider there to be a risk of slavery or human trafficking taking place within its supplier base.

Our supply chains

Our supply chains include management companies, job boards, property, media, IT equipment, stationery and print suppliers, whilst our clients include international STEM businesses.

Our policies on slavery and human trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business, whilst also acting ethically and with integrity in all our business relationships. To do this we have implemented and enforce effective systems and controls to ensure slavery and human trafficking are not taking place anywhere in our supply chains.

Due diligence processes for slavery and human trafficking

As part of our controls to identify and mitigate risks, we have in place processes and procedures to:

- identify and assess potential risk areas in our supply chains;
- mitigate risks, including slavery and human trafficking occurring in our supply chains;
- continually monitor risk areas in our supply chains; and
- protect whistleblowers, via a confidential and independent reporting process.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for 2019. The Company's Modern Slavery Act statement can be found on our website, www.sthree.com.

Independent auditors

A resolution will be put to the forthcoming AGM proposing that PricewaterhouseCoopers LLP be re-appointed as auditors for the ensuing year, having indicated their willingness to continue in office. A formal audit tender was last completed in early 2017. Audit fees and non-audit services are disclosed in the Audit Committee report.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations
The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in 'Our Board' section of this Annual Report, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report, together with the Strategic Report, Chairman's and other Officers' section of this Annual Report, include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board

Steve Hornbuckle
Group Company Secretary
24 January 2020

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